

1 Fatal Flaw
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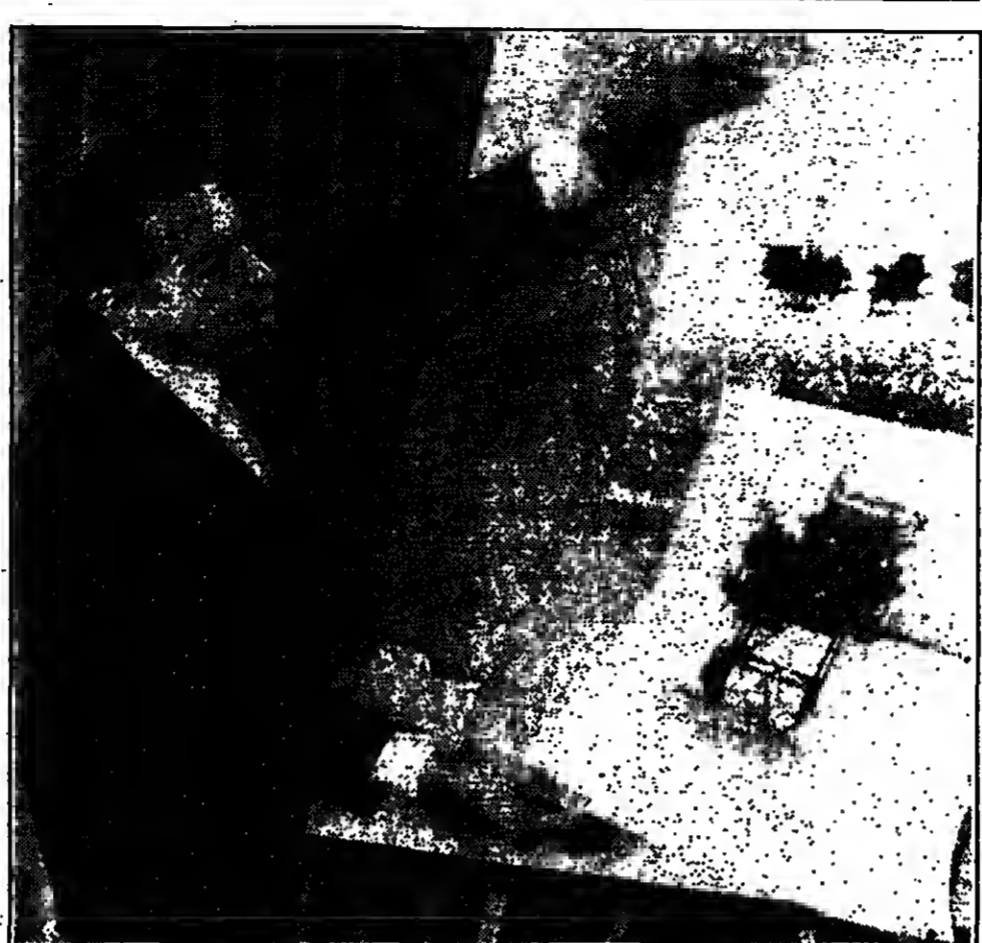
PARIS, TUESDAY, OCTOBER 20, 1987

ESTABLISHED 1887
Algeria... 6.00 Dn... 115 Each... 0.000 Each
Australia... 2.50 Dn... 125 Each... 0.000 Each
Belgium... 0.75 Dn... 1,000 Each... 0.000 Each
Canada... 0.50 Dn... 500 Each... 0.000 Each
France... 0.50 Dn... 500 Each... 0.000 Each
Germany... 0.50 Dn... 500 Each... 0.000 Each
Italy... 0.50 Dn... 500 Each... 0.000 Each
Japan... 0.50 Dn... 500 Each... 0.000 Each
Spain... 0.50 Dn... 500 Each... 0.000 Each
U.S.A. (incl. Alaska & Hawaii)... 0.50 Dn... 500 Each... 0.000 Each
U.K. (incl. Channel Islands)... 0.50 Dn... 500 Each... 0.000 Each

New York Stocks Take Historic One-Day Plunge; Dow's 508-Point Decline Surpasses Loss in 1929

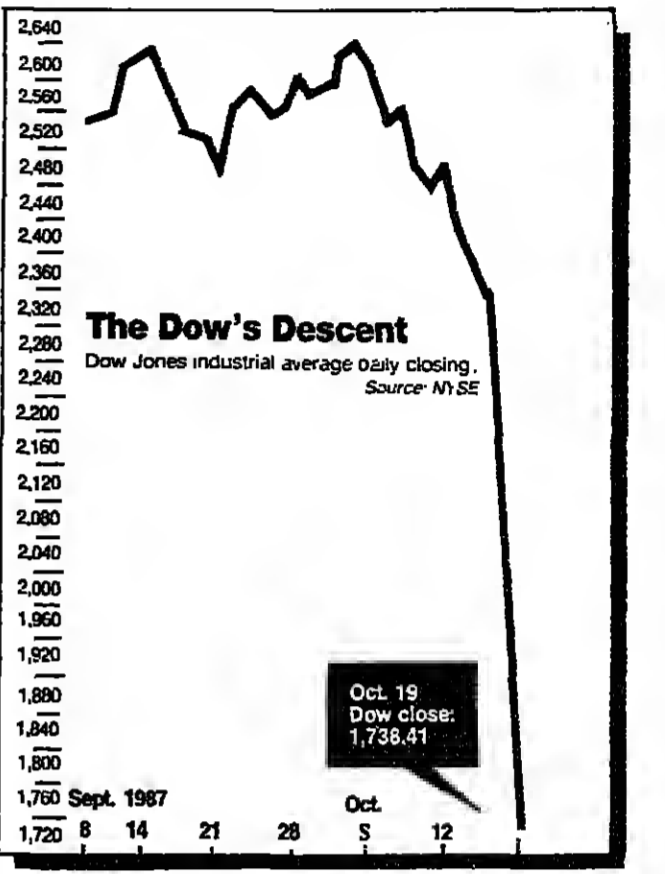
Iran Site in Gulf Destroyed by U.S.

By David Hoffman and Molly Moore
Washington Post Service
WASHINGTON — Four U.S. warships, retaliating Monday for a week's missile attack on a U.S. oil tanker, destroyed an Iranian oil-drilling platform that the United States charged, had been used to launch military operations in the Gulf.
U.S. military forces also boarded nearby platform, after Iranian personnel had left it, and destroyed it and communications gear.
A Defense Department spokesman, Fred S. Hoffman, said no Americans had been injured in the attacks, which took place in the central Gulf. He said a search of nearby waters had not turned up any dead or injured Iranians.
However, the Iranian news agency IRNA, said that there had been Iranian casualties.
President Ronald Reagan warned Iran that the United States would protect "our ships and our interests against unprovoked attacks," he said in a written statement at the main platform had been destroyed with about 1,000 5-



Defense Secretary Caspar W. Weinberger displaying the target shelled by U.S. ships.

By John Meehan
International Herald Tribune
NEW YORK — Unabated selling swept Wall Street on Monday in a plunge that surpassed the great crash of 1929. The Dow Jones industrial average fell 508.32 points, or 22.6 percent, in the heaviest trading ever seen on the New York Stock Exchange.
The index, an average of 30 blue-chip U.S. corporations, closed at 1,738.41, more than erasing all the gains of 1987. Volume at 604 million shares traded, was nearly double the previous record of 338 million set last Friday. Only 13 NYSE-listed stocks rose in price while 1,577 fell on a tape that ran more than an hour late at the close.



Iran Vows 'Crushing Blow' in Retaliation

By John Kiefer
New York Times Service
TEHRAN — Iran vowed Monday to deliver a "crushing blow" against the United States in revenge for the attack on an oil tanker in the Gulf.
The United States has entered a state of "total alert," said Kamal Kharazi, the director of Iran's War Information Office.
The United States, he said, was now embroiled in what he described as a "full-fledged war" with Iran.
The official remarks, released Monday night by the official press agency IRNA, was the first Iranian reaction to the attack on the complex, which the United States said was used for radar and speedboat bases to prey on shipping in the Gulf.
Shortly before the U.S. assault became known in Dubai, Tehran radio broadcast a statement from Mr. Kharazi saying that "we have not accepted any responsibility for the attack" on Friday on a U.S. flag tanker in Kuwait waters.
The tanker, the Sea Isle City, was hit by a "Sikorsky" missile. The captain of the ship was blinded and 17 other crew were injured.
"Whatever has happened is the natural consequence of America's actions in the Persian Gulf," the Iranian spokesman said. He warned that the United States should not "revive the bitter experience of Vietnam for the American people."
■ Warning From Khamenei
The president of Iran, Ali Khamenei, said in a speech Monday that the U.S. assault was a "crushing blow" to the United States.
See IRAN, Page 7



Kiosk

Goetz Is Given 18-Month Term
NEW YORK (AP) — Bernard H. Goetz, who shot four youths on a New York City subway train three years ago, was sentenced Monday to six months in prison and five months probation on his conviction for illegal possession of the gun he used in the shooting.
The judge also directed Mr. Goetz, 39, to undergo treatment with a psychiatrist of his choice.
Mr. Goetz was fined \$5,000 and ordered to perform 200 hours of community service.

Takeshita Is Named to Succeed Nakasone



Noboru Takeshita, named to succeed Yasuhiro Nakasone as president of Japan's Liberal Democratic Party, paints an eye of a Daruma doll to celebrate the fulfillment of a wish.

By Clyde Haberman New York Times Service

TOKYO — Noboru Takeshita, a former finance minister and a master of political compromise, was assured Monday of becoming Japan's next prime minister when the incumbent, Yasuhiro Nakasone, designated him to be his successor.
Mr. Takeshita's ascension came after an unusual turn of events in which Mr. Nakasone was given carte blanche to pick a new leader.
He decided on Mr. Takeshita, the prime minister said, to assure both continuity of government policies and of the Liberal Democratic Party.
Mr. Takeshita, a 63-year-old political veteran who is the party's secretary-general, said at a news conference later that he felt "very nervous" about the duties he was about to assume, but pledged to do his best.
"I feel as though I'm carrying a heavy burden on my back, and it's pressing against my shoulders," he said.
Technically, what Mr. Takeshita won Monday was the party presidency, a position that he will formally inherit at a party convention to be held Oct. 31, a day after Mr. Nakasone's term ends.
As a practical matter, whoever heads the party is certain to be named prime minister by the parliament, and Mr. Takeshita is expected to form his government in the first week of November. He will be Japan's 17th national leader since the end of World War II, and he will serve for two years.

Whitney Herzog watching his St. Louis Cardinals lose for the second time to the Minnesota Twins, 8-4, in the World Series. Sports, Page 19.

GENERAL NEWS

Sweden's justice minister resigned over the escape of a convicted spy. Page 8.
Many Asian and Pacific nations are confronting a surge of ethnic tension. Page 5.

BUSINESS/FINANCE

South Korea's news agency predicts the current account surplus would grow to nearly \$10 billion this year. Page 11.

Special Report

Market forces are pushing telecommunications companies to cross national and technological frontiers. Part I of a special report. Pages I-VIII.

India Reports a Troop Breakthrough Into Tamils' Main City in Sri Lanka

By Barbara Crosscote
New York Times Service
COLOMBO, Sri Lanka — India said Monday night that its troops had broken into the center of Jaffna after a 10-day military campaign against an ethnic Tamil guerrilla army it had pledged to disarm.
There was no independent confirmation of the report, which was issued in New Delhi. An official Indian government spokesman in Tamil Nadu said Indian troops were continuing to advance on Jaffna, but he said nothing about their being in the center of the city.
Another Indian official in Tamil Nadu, elaborating on the report from New Delhi, said Indian commandos based in Jaffna Fort had linked up with a column of troops advancing from the northwest of the city along a coastal road. The campaign, which began on Oct. 9, may have already cost 700 civilian lives, local government administrators said in a message Monday.
At the same time, Indian forces have stepped up operations around the eastern ports of Trincomalee and Batticaloa. Some 300 to 400 Indian troops came ashore Sunday night on Kallady Beach at Batticaloa, residents of the area said Monday in telephone interviews.
Police officers in the area told Reuters that Tamil militants, trying to blow up an Indian convoy at Kalkudah, north of Batticaloa, had instead destroyed a civilian bus, killing 40 people.
Fighting is still apparently going on in the city of Jaffna, the historical center of Sri Lanka's Tamils. An Indian government spokesman called it a "mopping up" operation, but Jaffna residents said the town was in a state of near collapse, with casualties high and damage severe.
None of the reports could be verified because Indian troops have prohibited journalists from visiting their areas of operation. On Monday, the daily news briefing at the Indian High Commission in Colombo was canceled without explanation.
Fourteen prominent civil servants in Jaffna sent a message to the Sri Lankan president, Junius R. Jayawardene, on Monday saying that the situation was worsening and asking him to intervene with the Indians on behalf of Jaffna's residents.
The letter, a copy of which was sent to Virakeshi, the Colombo-based independent Tamil-language newspaper, said there had been "indiscernible bombing and shelling and aerial strafing" in which "almost 700 innocent civilians have died."
Some of these local administrators had been tacit supporters of the guerrillas of the Liberation Tigers of Tamil Eelam; most had been critical of the Sri Lankan gov-
See JAFFNA, Page 8

Other world stock markets suffered sharp falls as well. There were record losses in London, Paris, Hong Kong and Toronto.
"If someone was betting on an October massacre, they sure got one," said Peter Furniss of Smith Barney, Harris Upham.
Trade Laitner of Josephthal & Co. said, "It is out-and-out panic. I have never seen anything even close to this." Another trader said, "It was pure chaos."
Shares lost an estimated \$560 billion in the sell-off, raising to more than \$1 trillion the total market value wiped off the books since the decline began last week.
The Dow's percentage loss was nearly double the one-day declines of Oct. 28 and 29 in 1929, when there were successive one-day losses of 12.9 percent and 11.7 percent that heralded the Great Depression.
By comparison, Monday's fall on the Dow average far surpassed the index's total closing value of 260.64 on "Black Thursday," Oct. 28, 1929.
Explaining the sharp drop, analysts said that the dollar, interest rates and doubts about the ability of Western economies to act together to solve their economic problems had clearly been an overriding concern to many investment strategists.
The political, economic and social implications of Monday's debacle on Wall Street seemed far-reaching. For the past five years, company strategies, corporate and personal financial decisions and the lifestyles of the wealthy and not-so-wealthy have been premised largely on high stock prices.
In Washington, President Ronald Reagan's spokesman said Mr. Reagan had "watched today with concern the dramatic drop in the stock market," and had directed the administration to consult the Federal Reserve, the Securities and Exchange Commission, the New York Stock Exchange and other investment leaders.
"These consultations," the written statement added, "confirm our view that the underlying economy remains sound."
After the markets closed, the NYSE's president, John Phelan, said, "It was the worst market I've ever seen or ever hope to see."
Asked by reporters about the possibility of a halt in trading, Mr. Phelan replied that the consensus during the day was to let the market work itself out. He said the market would open on schedule Tuesday morning.
Stock Exchange officials described the 508.32 figure as official but preliminary. Minor adjustments in the Dow are customary in the hours following the close to allow for computer refinements.
In London, the Financial Times 100-share index fell 249.60 points, to 2,052.30, continuing a slide that began in Asia. In Paris, prices on the Bourse fell 9.7 percent. Tokyo's Nikkei Stock average of 225 selected issues dropped by 620.18 points to 25,746.56. In Hong Kong, the Hang Seng index plunged 420.81 points to 3,362.39. And in Toronto, the 300 composite index fell about 9.15 percent on the day.
Many analysts had hoped that the stock market would display some resiliency after the 10 percent drop in the Dow last week.
But on Monday, the loss of confidence that seized the market last week was undercutting the Louvre accord.
See MARKETS, Page 17

The Tumble in World Markets

City	Index Close	Point Fall	Percentage Fall
London	2,052.30	249.60	10.84
Paris	—	—	9.70
Frankfurt	1,744.10	132.50	7.06
Hong Kong	3,362.39	420.81	11.12
Tokyo	25,746.56	620.18	2.35

Baker, Bonn Officials Reaffirm Market Pact

WASHINGTON — The U.S. Treasury secretary, James A. Baker 3d, met West Germany's two top financial officials on Monday in a meeting apparently intended to settle the public differences over economic policy that have contributed to shaking world markets.
Mr. Baker met with Finance Minister Gerhard Stoltenberg and Karl Otto Pöhl, president of the West German central bank, in West Germany and agreed to support the Louvre accord, in which the seven leading industrial democracies agreed to stabilize currencies, the Treasury Department said.
News of the meeting helped U.S. bond prices soar more than 4 points and buoyed the dollar in after-hours trading in New York. (Page 11)
Just hours before the announcement, the Bundesbank, in what dealers said was a response to U.S. criticism of higher German interest rates, repeatedly added liquidity to the domestic money market at lower than prevailing interest rates.
The U.S. had argued that the recent rise in West German rates was undercutting the Louvre accord.
Mr. Baker said on the weekend that the accord was still intact. But he said Washington would not stand by and watch countries with trade surpluses — a reference to West Germany and Japan — jack up interest rates. Analysts said Mr. Baker was hinting that U.S. authorities would let the dollar fall further.
The Treasury secretary even said that the higher German rates had been contributing to the plunging stock prices on Wall Street.
But on Monday, the Bundesbank disbursed government funds via state-owned banks during normal early trading at 3.80 percent, five basis points, or hundredths of a percentage point, below the 3.85 percent allocation rate on its last securities repurchase pact last week.
It returned later in the morning offering funds at 3.75 and 3.70 percent. Until late September, the Bundesbank was injecting funds on its security repurchase pacts at a fixed rate of 3.60 percent.
The disagreement between major allies over the level of rates had focused attention on the durability of the Louvre accord and the volatility of the dollar.

Analysts Caution on Parallels to '29 But Depth of the Panic Sell-Off Caught Them by Surprise

By Carl Gwartz
International Herald Tribune
PARIS — Despite its fearsome dimensions, the violent sell-off on world stock markets Monday was an overdue correction that should not be compared too closely with the October 1929 crash that marked the beginning of an international economic depression, many analysts cautioned.
For these analysts, the only surprise in Monday's worldwide rout was its timing, speed and depth.
The spark was a loss of confidence, a fear that the international economy had lost its anchor of exchange-rate stability and that governments were drifting in their efforts to sustain world economic growth.
Midday news that the United States had attacked Iranian offshore oil wells further rolled markets.
The fear, the analysts said, appeared to be feeding on itself. The big stock sell-off began in New York on Friday and then spread to Asia and Western Europe before returning to North America on Monday.
Although the rout in stock prices has the potential to spread wider havoc, especially if a major financial institution were to collapse, analysts are not yet concerned about the fallout.
They dismissed allusions to 1929, noting that the crash then followed a period of excessive economic boom that is nowhere apparent today.
The drop in stock prices "is unlikely to have any radical effect on the real economy," said Alexandre Lamfalussy, general manager of the Bank for International Settlements, a clearinghouse for central banks.
The collapse in share values does represent a loss of wealth for consumers. But, Mr. Lamfalussy said, the world was not experiencing any excess consumer demand from the wealth created by the high stock prices existing before the crash.
Thus, he saw no danger of a sudden sharp decline in demand that could cause industry to slow down suddenly.
The other way the turmoil in financial markets could cause wider harm is by blocking industry's ability to raise money to finance investments. But Mr. Lamfalussy said that business investment was not expanding dramatically even when the markets were in good shape. Thus, he said, there is no reason to expect any immediate collapse in investments already planned.
Hans Baer, the head of Bank Julius Baer & Co. in Zurich, said, "Markets will be unsettled for a while."
But, he said, "there comes a time when buyers move back in" to buy
See ASSESS, Page 17

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Mitterrand, in Bonn, Urges 'Europe of Common Culture'

BONN — President Francois Mitterrand of France called Monday for the creation of a "Europe of common culture" in which a shared identity would bind traditional foes together for a technological leap forward.

"For centuries, the nations of Europe reinforced their identity through antagonism, and they themselves were often created through violence," Mr. Mitterrand said in a speech at the start of a four-day state visit.

"Today, now that the desire to dominate has given way to a spirit of dialogue, we must evolve and change our mentality. We will build a Europe of common culture by protecting our own identities."

Mr. Mitterrand's talks were expected to focus on East-West relations, preparations for a forthcoming European Community meeting in Copenhagen, and bilateral issues.

He placed particular emphasis on the relationship between France and West Germany, which he said was "indispensable" for the construction of Europe.

Cooperation would have been unthinkable at the end of World War II, when France was still recovering from the Nazi occupation, he said, but it has since become almost routine.

Technical collaboration is now crucial, he said.

Mozambique Honors Machel

MAPUTO, Mozambique — Hundreds of people laid flowers Monday at the grave of Samora Machel and some of those who died with the former president in a plane crash in South Africa a year ago.

"The future of our two nations depends on our will to keep ourselves jointly at the forefront of technological progress," he said, adding that West German and French universities and research centers had an important role to play.

French officials said that Mr. Mitterrand, who regularly travels to West Germany for working visits with Chancellor Helmut Kohl, had earlier felt that a formal state visit was unnecessary. But he later decided that he wanted to round off his presidency with an official tour of West Germany, they said.

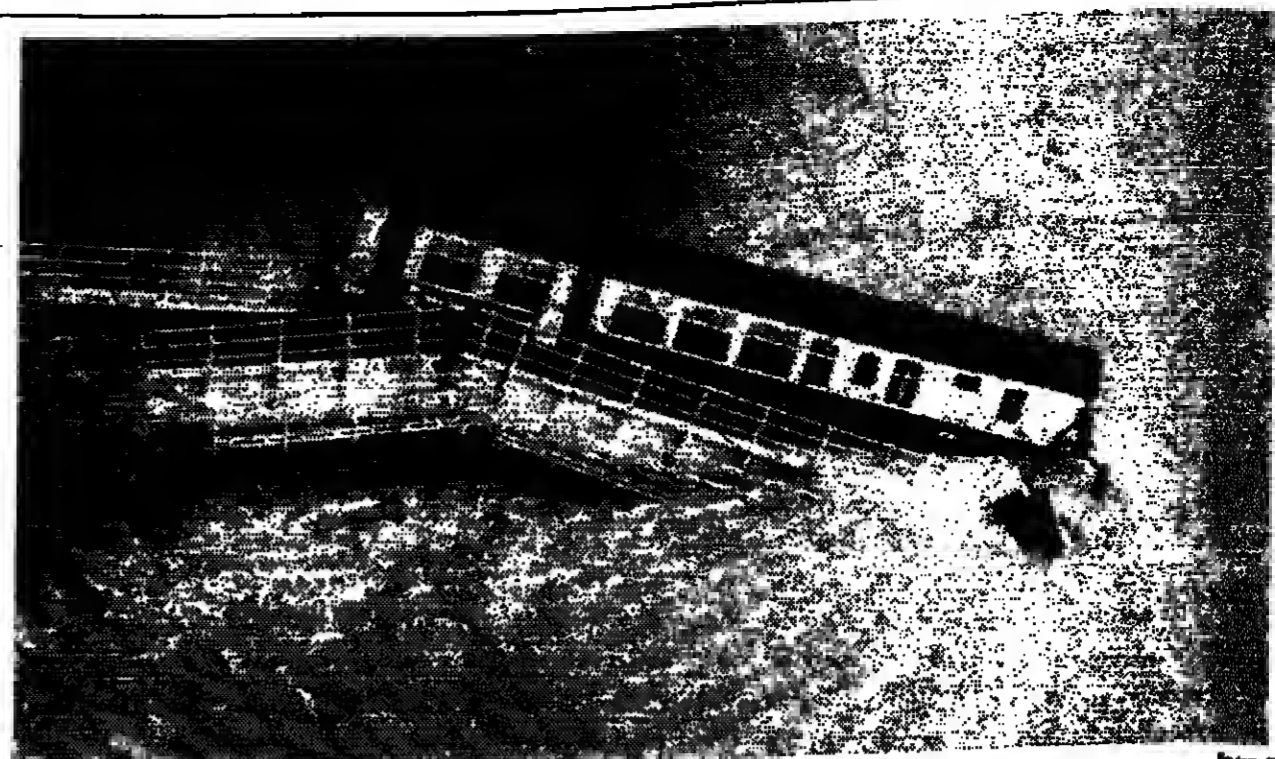
Mr. Mitterrand's visit is part of regular high-level contacts that began during joint Franco-German military maneuvers in September and will culminate in January in 25th-anniversary celebrations of the Elysée friendship treaty between Bonn and Paris, the founding members of the European Community.

After the speech, Mr. Mitterrand held talks with his host, President Richard von Weizsäcker, on security and defense issues, a presidential spokesman said.

On Tuesday, he will underscore the importance of the Franco-German friendship treaty with a visit to the grave of Konrad Adenauer, the chancellor who agreed on the pact with de Gaulle.

Mr. Mitterrand was also scheduled to meet Mr. Kohl; Foreign Minister Hans-Dietrich Genscher; the Social Democratic opposition leader, Hans-Jochen Vogel; the Bavarian premier, Franz-Josef Strauss; and representatives from the radical Greens party in Bonn.

The Socialist head of state, whose seven-year term of office ends early next year, will also travel to the Rhineland cities of Cologne and Düsseldorf and plans a major speech in the historic city of Aachen, which lies on the border between France, West Germany and Belgium.



FLOODING IN WALES — Four persons were feared dead Monday after a train plunged from a damaged bridge over the Tyrry River near Swansea, Wales. Navy frogmen searched the river for the train's driver and three passengers, but the police said they were unlikely to have survived. British Rail said the crew was unaware that part of the bridge had been torn away by flooding. Hurricane-force winds in Britain killed at least 13 persons on Friday.

Swiss Coalition Holds Off Green Parties

BERN — Gains by environmental parties in Swiss parliamentary elections did not challenge the four-party coalition that has governed the country since 1959, virtually complete returns showed Monday.

The coalition's more than three-quarters majority in the 200-member National Council, or lower house, was reduced by 8 seats, to 158. Most newspaper commentators agreed that the vote once more reflected Swiss political stability.

The advance by the Green Party and the Green Alliance was less marked than they had forecast and came chiefly at the expense of the left-of-center Social Democratic Party. Of the four coalition allies, the Social Democrats are the most prominent advocates of ecological causes.

Concern for the environment dominated debates in the largely lackluster campaign.

But the Chernobyl nuclear plant disaster in the Soviet Union and a toxic spill from a Swiss chemical

plant that provoked an international uproar last November did not set off the Green landslide that some analysts had predicted.

Social issues were only a secondary theme in the country, which has the West's lowest unemployment rate and highest per capita national income, and foreign policy problems were totally absent in the discussions.

Turnout, never above 50 percent in the past few elections, was expected to hit a new low.

According to final results from 20 cantons and projections from the remaining 3, the Social Democrats lost seven seats, while the environmental groups picking up a combined six.

The Green Party, an ideologically independent group that is thoroughly environment-oriented and steers clear of left-right distinctions, increased its representation in the legislature from four to nine seats.

The Green Alliance, which has a leftist tinge, made less headway.

On the other end of the political spectrum, a newly founded Amis Party, chiefly known for campaigning in favor of raising speed limits, surprised analysts by winning two seats.

The Swiss People's Party, the smallest and most conservative partner in the government coalition, also scored gains, adding 3 to its 23 seats in the lower house.

In the coalition, this almost offset the loss of four seats registered by the right-of-center Radical Democrats, who, however, remained the strongest faction, with 50 members.

The Christian Democrats held their own with 42 seats, outstripping the Social Democrats, at 40, for the first time since 1919.

Elections to the 46-seat Council of States, or senate, virtually confirmed the makeup of the incumbent upper house, except for the surprisingly high backing for a woman candidate of the opposition Alliance of Independents, Monika Weber, former president of the Swiss Consumers' Association, received 193,000 votes in Zurich, the country's most populous canton.

WORLD BRIEFS

Belgian Leader Gets Caretaker Role

BRUSSELS (Reuters) — King Baudouin accepted the resignation of Belgium's center-right coalition government Monday after talks failed to resolve a linguistic dispute.

The king asked the outgoing prime minister, Wilfried Martens, 51, to form a caretaker government with a limited mandate until a general election is held, probably within the next few months. A government spokesman said Mr. Martens, the longest-serving Belgian prime minister since World War II, would begin talks immediately with other political leaders.

Mr. Martens offered his resignation Thursday after his coalition split along language lines over a militant rural French-speaking official, Jos Happort, who refuses to take a test in Dutch although the village of Fourons, where he is mayor, is in a Dutch-speaking region.

Yugoslavs Face Economic Restraints

BELGRADE (Reuters) — Prime Minister Branko Mikulic called Monday for higher taxes and wage and price restraints to rein in Yugoslavia's soaring inflation and foreign debt.

Mr. Mikulic told the legislature he would overhaul the taxation system, targeting property, interest on savings and people earning high wages.

President Lazar Mijosevic, whose speech was interrupted for 30 minutes when he became ill, urged the legislature to support the measures.

Nancy Reagan Continues Recovery

WASHINGTON (AP) — Nancy Reagan "feels wonderful" and is continuing a strong recovery after the surgical removal of her left breast, President Ronald Reagan's physician said Monday.

The White House spokesman, Marlin Fitzwater, reading a statement from the presidential physician, Dr. John Hutton, said that the president intended to make his fourth visit to Bethesda Naval Hospital in Maryland to be with his wife later in the day.

Mr. Fitzwater reported that Mrs. Reagan, 66, spent part of Sunday evening walking around in her suite. On Monday, she had a full breakfast, the spokesman said. Doctors told the couple Sunday that final laboratory tests showed that Mrs. Reagan's cancer had not spread and that the prognosis for her full recovery was excellent.

High Court Rebuffs Reagan on Visa

WASHINGTON (UPI) — The Supreme Court affirmed Monday a ruling that the Reagan administration cannot refuse visas to foreigners invited to make speeches in the United States because they are Communists or belong to anti-American groups.

The court, in the first ruling of its new term, deadlocked 3-3 in the action affirming the lower court ruling. The court is one justice short since the retirement of Justice Lewis F. Powell Jr. Justices Harry F. Blackmun and Antonia Scalia took no part in the decision.

The decision to affirm the ruling by the U.S. Circuit Court of Appeals for the District of Columbia is a defeat for the government, which has frequently denied visas to leftist political and literary figures seeking to speak in the United States. However, the effect of the ruling is limited in that a ruling by an equally divided court sets no national precedent and only directly applies to the appeals court the case originated from.

Stennis Won't Seek Senate Re-election

JACKSON, Mississippi (AP) — Senator John C. Stennis, a Democrat from Mississippi and the longest-serving member in the U.S. Senate, said Monday that he will not seek re-election next year to the seat he has held since 1947.

Mr. Stennis, 86, president pro tempore of the Senate and chairman of the Senate Appropriations Committee, said that another term would keep him working until he was 93. The announcement came as he underwent a surgical procedure to correct a prostate gland problem at Walter Reed Army Medical Center in Washington. A hospital statement described the operation as "a relatively common procedure to relieve a partial obstruction of his bladder." It said that "there was no evidence of cancer."

His decision will leave him just eight months short of the Senate longevity record. He would have to serve until Sept. 18, 1989, to break the service record of 41 years, 10 months and 12 days set by Carl Hayden, a Democrat from Arizona, who retired from the Senate in 1969.

Pretoria Rejects Vancouver Criticism

PRETORIA (AP) — Decisions of the Commonwealth conference in Vancouver last week were "irrelevant and did not merit further attention," Foreign Minister R.F. Botha said Monday.

"The circumstances in which the conference took place and the decisions taken on South Africa were, with one exception, more revealing about the harrowing conditions in the countries of the majority of governments present than any extent to which they cast a credible reflection on South Africa," Mr. Botha said in a statement. All conference participants except Britain called for intensified sanctions against Pretoria.

The South African minister added: "What is nevertheless interesting is that the conference provided an opportunity to give prominence to a report by Amnesty International, which sharply condemned 33 of the member countries for the neglect and violation of fundamental rights in those countries."

For the Record

South African policemen hurled hand grenades into a house, killing a black man, after officers were shot at with a Soviet-made automatic rifle, a police spokesman said Monday. The police reported that the shooting Sunday occurred near Bloemfontein in Orange Free State.

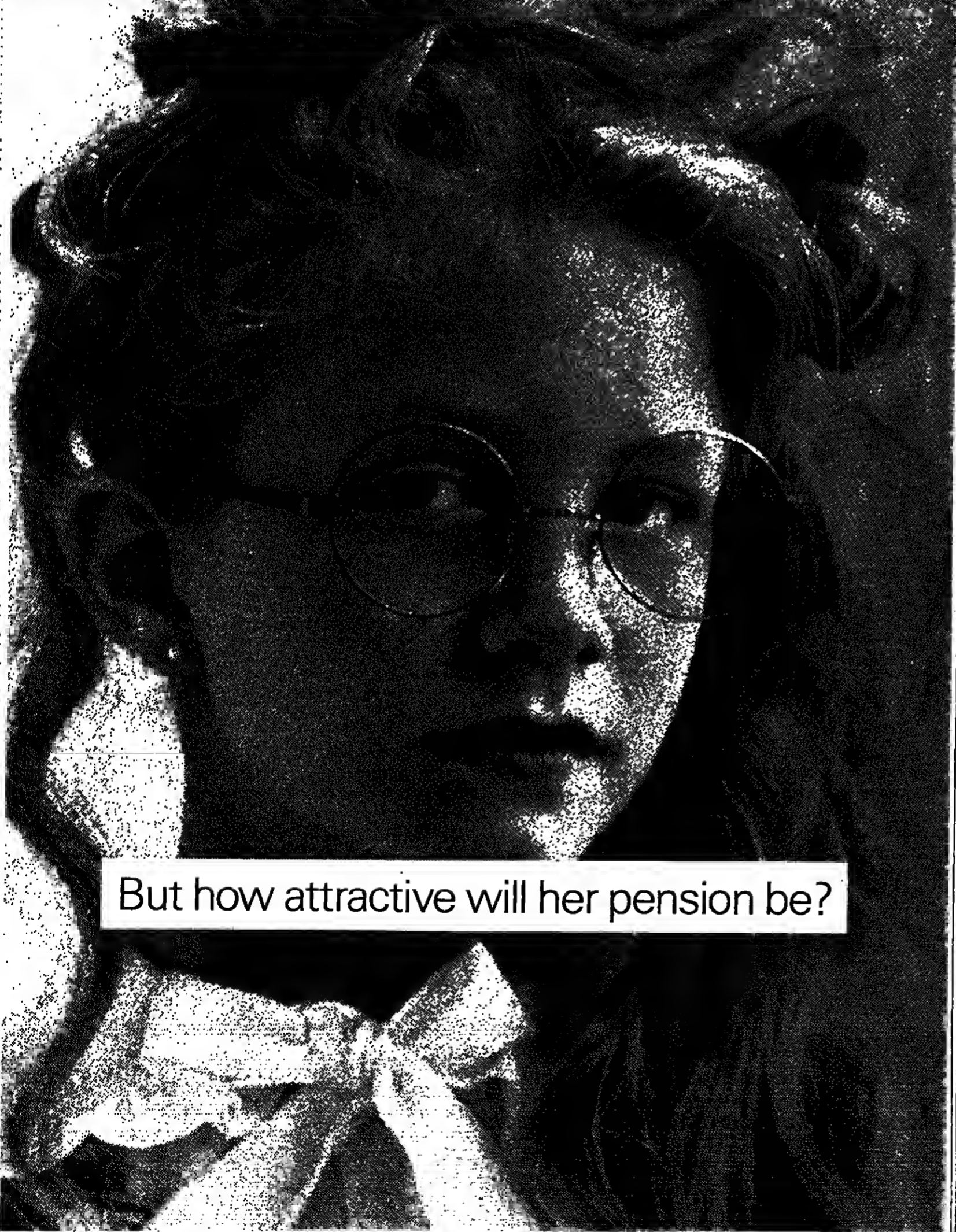
Two Arabs from the Israeli-occupied West Bank were convicted in a military court in Jerusalem on Sunday for the 1986 murder of a moderate Palestinian mayor, an army spokesman said. Muad Abdel Samad and Ahmed Hanina were convicted of killing Zafar al-Masri, the Israeli-appointed mayor of Nablus.

Twenty-eight Danish fishing vessels turned fire hoses on the incinerator ship Vulcanus II in the North Sea on Sunday, and the ship stopped burning toxic wastes after its propeller became entangled with a fishing net, the Greenpeace environmentalist organization said.

TRAVEL UPDATE

Strife Doesn't Deter Ulster Tourists

BELFAST (Reuters) — Tourism in Northern Ireland is expected to rise 6 percent in 1987 despite the most violent year of political and sectarian strife since 1983, according to tourism officials. A visitor survey showed that curiosity, an interest in politics and accurate news brought 34 percent of the visitors to the province. Beautiful countryside attracted 28 percent and friends and relatives 27 percent.



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Baby Without a Brain Is Used as Organ Donor, Raising New Possibilities and Issues

By Sandra Blakeslee
New York Times Service

LOS ANGELES — In a radical departure last week from standard medical practice, doctors in Canada kept alive a baby born without most of her brain so that her heart might be salvaged for a transplant operation.

The baby, connected to a respirator, was flown to California where her heart was given Friday to a boy delivered hours before.

Without mechanical life support, the organs of brain-absent infants, or anencephalics, tend to atrophy as the babies slowly die, usually within a few days of birth. Transplant centers routinely reject anencephalic donors because they are not considered dead under state laws and medical society standards. By the time they are legally

dead, their organs are useless for transplanting.

Medical experts said they knew of no other case since these laws and standards were adopted in the early 1980s in which doctors acknowledged using a brain-absent baby as an organ donor.

The transplant operation Friday has gained wide attention because of the age of the recipient, but doctors and ethicists say it is the exceptional treatment of the donor that opens the possibilities for hundreds of more transplant operations and raises difficult moral decisions for parents and physicians.

The donor, called Baby Gabrielle by her doctors, was born Oct. 12 and taken to Children's Hospital in London, Ontario, where she was connected to a respirator.

Her condition was diagnosed late in her mother's pregnancy, ac-

ording to Dr. Tim Frewen, chief of pediatrics at the hospital. He said Gabrielle's parents, from Grills, near London, made the decision to keep the baby alive and connected to machines so that her organs would remain healthy.

"The parents insisted that they wanted their infant's organs used," Dr. Frewen said in a telephone interview. "They wanted to see that their baby would touch others and contribute to life some way."

Dr. Frewen said he attended a conference in Ontario in January on the use of anencephalics as organ donors. "The consensus was that in the presence of consenting parents it was ethical to offer life support," he said.

But until Gabrielle's parents asked about the possibility of donating her organs, the theories developed at the conference had not been put into practice.

The baby was pronounced legally dead on Wednesday. Her body was kept on a respirator and flown to Loma Linda University Medical Center in California. On Friday morning, her heart was given to a baby, Paul Holc, delivered earlier that day.

A medical statement from Loma Linda, issued Saturday, said that Paul "continues in critical but stable condition."

The strategy of giving temporary life support to babies who are doomed to die so that their organs can be preserved for babies who might benefit from transplants could herald a new era in infant transplant medicine, according to transplant experts in both the United States and Canada.

Organs for infants and newborns are in very short supply. Experts estimate that from 40 percent to 70 percent of children under 2 years

old who are on transplant waiting lists die before suitable organs can be found. There are 400 to 500 newborn infants who need hearts and kidneys and 500 to 1,000 who need livers, according to Alexander Kapron, professor of law, medicine and public policy at the University of Southern California.

If organs from the 2,000 to 3,000 anencephalic infants born each year in the United States could be used for transplant, experts say many more lives could be saved.

But the new practice raises new issues as it solves old ones.

It has not been deemed ethical to use anencephalic infants as transplant donors in North America because, lacking brains, they do not meet strict criteria for brain death and thus are not considered legally dead, said Dr. Michael Harrison, a pediatric surgeon at the University of California in San Francisco. Although anencephalics lack all or most of their cerebral hemispheres, they have lower brain stems that keep their hearts and other organs functioning.

When anencephalic babies are born, Dr. Harrison said, they are made as comfortable as possible. Food and water are given, but no efforts are made to preserve life. The infants are doomed to die within a few days of birth.

As their brain stems slowly stop functioning, however, their organs deteriorate and cannot be used for transplanting. Several efforts to amend the brain death laws so that anencephalic babies could be used as organ donors while still technically alive have not been successful.

Late Wednesday afternoon, it was determined that Gabrielle could no longer breathe without the respirator. At that point she met the legal criteria for brain death, Dr. Frewen said, and because she had been kept alive, her organs were still healthy.

Transplant coordinators in Canada and the United States then worked to find recipients for her

organs. Arrangements were made to fly her body to California for the heart transplant operation Friday.

Dr. Calvin Stiller, chief of the Multi-Organ Transplant Service and professor of medicine at University Hospital in London, Ontario, said the Canadians felt it was

important to work within medical and legal definitions of brain death for reasons of principle. He said the use of patients who were legally alive as organ donors raised the specter of using the approximately 10,000 adults being kept alive artificially as donors.

"If you took it to its macabre extension," he said, "it would be to bury a breathing corpse."

Nevertheless, doctors predicted that the strategy would open the door to much wider use of brain-absent infants as organ donors.



END OF AN ORDEAL — Jessica McClure sleeping in the lap of her mother, Reba, on Monday as her father, Chip, held her injured foot. The 18-month-old child is recovering in a Midland, Texas, hospital after falling into a well. She was rescued two days later.

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19 Monday

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9.00 Board Meeting

1.00 Lunch at the Marriott

1.45 Viewing new office site

4.30 Meeting with Sales Force

7.00 Dinner at the Marriott

8.30 Theatre with Judith

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U.S. Studies Find Women With AIDS Die Significantly Sooner Than Men

By Gina Kolata
New York Times Service

NEW YORK — Women with AIDS are sicker and are dying more quickly than men who have the disease. The finding is shocking and puzzling researchers.

Although there are no good national data on the comparative experiences of women and men with acquired immune deficiency syndrome, studies in New York, Miami and California have found that women are dying significantly faster than men after being diagnosed as having AIDS.

There is no obvious explanation, say several researchers. They believe the difference may be a genuine one, not simply a consequence of, say, women's being diagnosed later in the course of the disease.

The data are attracting interest because they may provide researchers with a clue about how and why a person infected with the AIDS virus develops the full-scale disease. When people develop AIDS, their immune systems become crippled, opening the way to a variety of infections and cancers that cause illness and death.

"We see a dramatic difference in the survival of women with AIDS," said Dr. Margaret Fischl of the University of Miami, one of the researchers who found the effect. She added that she was "disturbed by the imbalance."

While scientists have no sure evidence as to what accounts for the difference, many are speculating that a biological difference might be involved. "The reason may be hormonal," Dr. Fischl said. "AIDS in women may be a different disease."

But the experts who were interviewed are also cautious. They warn that before any conclusions are drawn about biological reasons for the differences in survival times, social reasons, such as poor access to medical care, must be ruled out. "We must be careful at this point," Dr. Fischl said.

Nonetheless, investigators said, the figures are at least an intriguing hint at new directions for research. "It's a potential avenue for investigation and a potential avenue for therapy," said Dr. Richard Rothberg of the federal Centers for Disease Control in Atlanta, who also is among those coming up with the evidence.

Dr. Fischl has seen 119 women with AIDS, 111 of whom were diagnosed in the past three years. They survived an average of 6.6 months after diagnosis, while men with AIDS survived an average of 12 to 14 months, Dr. Fischl found.

The most dramatic data are from California. Looking at data on 7,074 people who were diagnosed as having AIDS before Dec. 31, 1986, Paul Harder of Harder Kibbe Research and Consultants in San Francisco found that the 128 women in the study lived an average of 40 days after being diagnosed as having AIDS, while the 6,946 men

lived an average of more than a year.

Mr. Harder was directing a consulting project for the state of California and thus had access to the data.

Experts said there were several possible nonbiological reasons that women with AIDS might have shorter survival times and that these reasons must be ruled out before too much is made of the finding. So far, however, the groups in New York, Miami and California have excluded at least some of these potential explanations.

It could be, for example, that the data really reflect a comparison of a group of predominantly homosexual men with a group of predominantly intravenous drug-using women, experts said. Homosexual men are known to have much better survival times than intravenous drug users. Researchers speculate that this is because the drug users are sicker to begin with and may be less likely to seek medical care.

But in California, according to Mr. Harder, the women "in general are partners of intravenous drug users." Most of the women did not use drugs themselves; they were infected through sexual intercourse.

In New York, according to Dr. Rand Stoneburner of the New York City Health Department, women with AIDS fared worse than men even when drug use was taken into account. Sixty percent of the New York women in the study used intravenous drugs, 23 percent were infected through sexual intercourse and most of the rest were infected through blood transfusions or were from Haiti, a country where heterosexual transmission of the AIDS virus is common.

The Miami women, according to Dr. Fischl, were almost equally divided between intravenous drug users and Haitians. A small number were infected through sexual intercourse or blood transfusions.

It could also be that the women

were poorer than the men and had less access to medical care, experts said. In Miami, Dr. Fischl said, about 75 percent of the men in the study were poor, as were virtually all of the women.

Other social factors, too, might explain the findings. Mr. Harder suggests that since AIDS is still rare among women in California, doctors may not consider it when they see a female patient.

But in New York, where AIDS in women is increasingly common, the basic factor is that "gender seems to play a role" in the severity of AIDS infections, Dr. Stoneburner said.

Dr. Fischl suggested that female hormones could affect the course of the disease. She and others suspect that AIDS infections worsen during pregnancy, although experts said this was not completely established.

And if pregnancy does exacerbate an AIDS infection, experts said, this, too, raises more questions than answers about how and why the hormonal and immune system changes of pregnancy have that effect.

Although scientists suspect that there are changes in the immune system during pregnancy, Dr. Susan Cowhock of Jefferson Medical College in Philadelphia said, "We don't see many obvious changes in a normal pregnancy." The immune system changes, she added, are thought to be subtle and very specific.

Hormonal changes, in contrast, are obvious during pregnancy, Dr. Cowhock said. Sex hormones are present at substantially higher levels and there are greater concentrations of other hormones as well, including steroid hormones and thyroid hormones.

Although both male and female sex hormones could be important in the course of the AIDS infection, Dr. Fischl said, "It is impossible to speculate at this point."

Laurel and Enrile Form Alliance for Local Poll

The Associated Press

MANILA — Vice President Salvador Laurel said Monday that he was joining forces with Juan Ponce Enrile, a former defense minister and now a government opponent, for local elections.

Mr. Laurel also said that President Corason C. Aquino may not serve her full term if she "makes mistakes left and right."

The vice president said he and Mr. Enrile were forming a "tactical alliance" to support candidates in the Jan. 18 local elections, but said they were not opposing the president.

Reports of an alliance between Mr. Enrile and Mr. Laurel fueled speculation that conservative groups were organizing an "alternative government" in case Mrs. Aquino is toppled in a coup.

Her term expires June 30, 1992. "I think a great deal will depend on how she handles the situation right now," Mr. Laurel said. "If she makes the right decisions, decisive moves, I think she will last the

measure of her term. But if she makes mistakes left and right, she may not."

The Aquino administration is trying to restore public confidence after an Aug. 25 coup attempt in which 53 persons died and hundreds were wounded. It was the gravest threat to Mrs. Aquino since she came to power in a February 1986 civilian-military rebellion in which President Ferdinand E. Marcos was overthrown.

On Sunday, rebel troops believed linked to a renegade officer, Lieutenant Colonel Reynaldo Cabatuan, stole an armored personnel carrier from army headquarters and drove it to Santo Tomas University.

Troops and tanks rushed to the presidential palace and university area, and security was increased at military installations in the capital.

The acting governor of Manila, Jejomar Binay, said that Colonel Cabatuan planned to begin an attack on the presidential compound from the campus.

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Asia and Pacific Nations Come to Grips With Surge of Ethnic and Religious Tension

By Michael Richardson
International Herald Tribune

SINGAPORE—A surge of ethnic and religious pressures across Southeast Asia and the Southwest Pacific, a region dominated by multiracial societies, has prompted governments to intensify efforts to find ways to maintain national unity.

Fiji, New Caledonia, Australia, New Zealand, Indonesia, Singapore and Malaysia are affected, diplomats say.

At the heart of the ferment, they say, is the relationship between original inhabitants and those who have settled later, particularly Chinese, Indians and Europeans.

In Fiji, New Caledonia and Malaysia, differences have been inflamed by recent political conflicts, and a resurgence of Islam in Indonesia, Malaysia, and of Christianity in Singapore, has also created tensions.

The conflicts between native nations and settlers are often complicated by religious, language and cultural differences.

Analysts say real and feared discrimination, cultural and religious oppression, loss of land and exclusion from the benefits of economic growth are the main reasons for minority discontent.

Advocates of policies favoring indigenous races seek to provide assurances against dominance by outsiders, thus helping to maintain national harmony.

Critics contend that such policies widen and perpetuate racial, religious, linguistic and cultural divisions.

In Singapore, where Chinese form slightly more than three-quarters of the population, the government is considering ways of guaranteeing future representation of minority Malays and Indians in Parliament and in the cabinet.

Prime Minister Lee Kuan Yew said Friday that to "survive as one people in one nation, when you are really the products of thousands of years of separate nations," required a conscious effort of tolerance.

Goh Chok Tong, first deputy prime minister of Singapore, said earlier this year that rebellion by Tamils against control by majority

Sinhalese in Sri Lanka was an important lesson for all multiracial societies.

It showed, he said, that ethnic minorities "must feel alienated when they are discriminated against and do not enjoy the benefits of national progress."

In Indonesia, the government is promoting a national ideology known as Pancasila to bridge religious, racial and political differences. Its five principles are belief in one God, humanitarianism, national unity, consensus democracy and social justice.

Under a law passed in 1985, major organizations, including political parties, religious groups and trade unions, must adopt Pancasila as the guiding ideology in their constitutions.

Diplomats in Jakarta said widespread acceptance of the ideology had helped to reduce tensions.

Prime Minister Bob Hawke of Australia said last month that before Australia celebrated 200 years of European settlement in 2000 he would try to conclude an agree-

ment with aborigines recognizing injustices against them.

Charles Perkins, head of the Department of Aboriginal Affairs in Canberra, said aborigines wanted a treaty that would be made part of the constitution.

It should, he said, recognize the aborigines' prior ownership of Australia, as well as their laws, culture and sacred sites. He said it ought to help them to improve health, education and living standards that he said were generally "disgraceful." Mr. Perkins is an aborigine.

Immigrants have swamped original inhabitants in Australia, New Zealand and Singapore. Aborigines form 1 percent of Australia's population, Maoris less than 10 percent of New Zealand's and Malays 15 percent of Singapore's.

In New Zealand earlier this year, Sir Paul Reeves, the governor-general, called for better treatment for Maoris, whose Polynesian forbears fought to resist European settlement.

Sir Paul, a Maori, said Maoris "must be able to develop their culture and institutions as non-Maoris have done, and use the resources of our nation."

Champions of indigenous interests in the Southwest Pacific and Southeast Asia have frequently complained that colonialists have encouraged the settlement of outsiders.

Jean-Marie Tjibaou, leader of the main separatist coalition on

New Caledonia, has rejected results of a referendum in September in which an overwhelming majority of voters on the island opted to remain part of France.

Mr. Tjibaou said that immigration from France, Southeast Asia and the Pacific had made Melanesian Kanaks "a minority in our own land."

But French officials, interviewed recently in Paris, said they believed that enlarged local autonomy and development programs would satisfy the aspirations of a majority of Kanaks.

In New Caledonia and Fiji, indigenous Melanesians are narrowly outnumbered by settlers.

Long-standing ties between Fiji and the British Commonwealth were broken on Thursday over the issue of racial discrimination after Colonel Sitiveni Rabuka seized power for a second time in five months on Sept. 25 and declared

the country a republic. The Commonwealth is an association linking Britain and 47 of its former colonies in Asia, the Pacific, Africa and the Caribbean. Its heads of government met in Canada last week.

Colonel Rabuka said that a constitution would be drawn up to guarantee political supremacy of Melanesians over islanders of Indian descent. Melanesian ownership of 83 percent of the land in Fiji would also be guaranteed, he said.

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Chinese Officials Reject Calls for 'Greater Tibet'

BEIJING — Chinese officials have rejected calls for Tibet's boundaries to be redrawn to encompass areas of Chinese territory populated by more than one million ethnic Tibetans, a Chinese magazine reported Monday.

The weekly Beijing Review quoted senior officials as saying that a "Greater Tibet" was "unrealistic and unattainable" because it would be divided by high mountains and its vast size would hamper economic development.

The magazine also quoted officials as repeating China's invitation to the exiled Buddhist spiritual leader, the Dalai Lama, to return.

An Asian diplomat said it was the first time China had publicly acknowledged calls by overseas Tibetans for a Greater Tibetan Autonomous Region. According to official Chinese figures, nearly two million Tibetans live in Tibet itself while around 1.5 million live in surrounding provinces.

Westerners in the Tibetan capital, Lhasa, where 19 persons died in rioting on Oct. 1, said Monday that the police were patrolling the Jokhang, Tibet's holiest Buddhist temple, circling the building anticlockwise against the customary clockwise flow of pilgrims.

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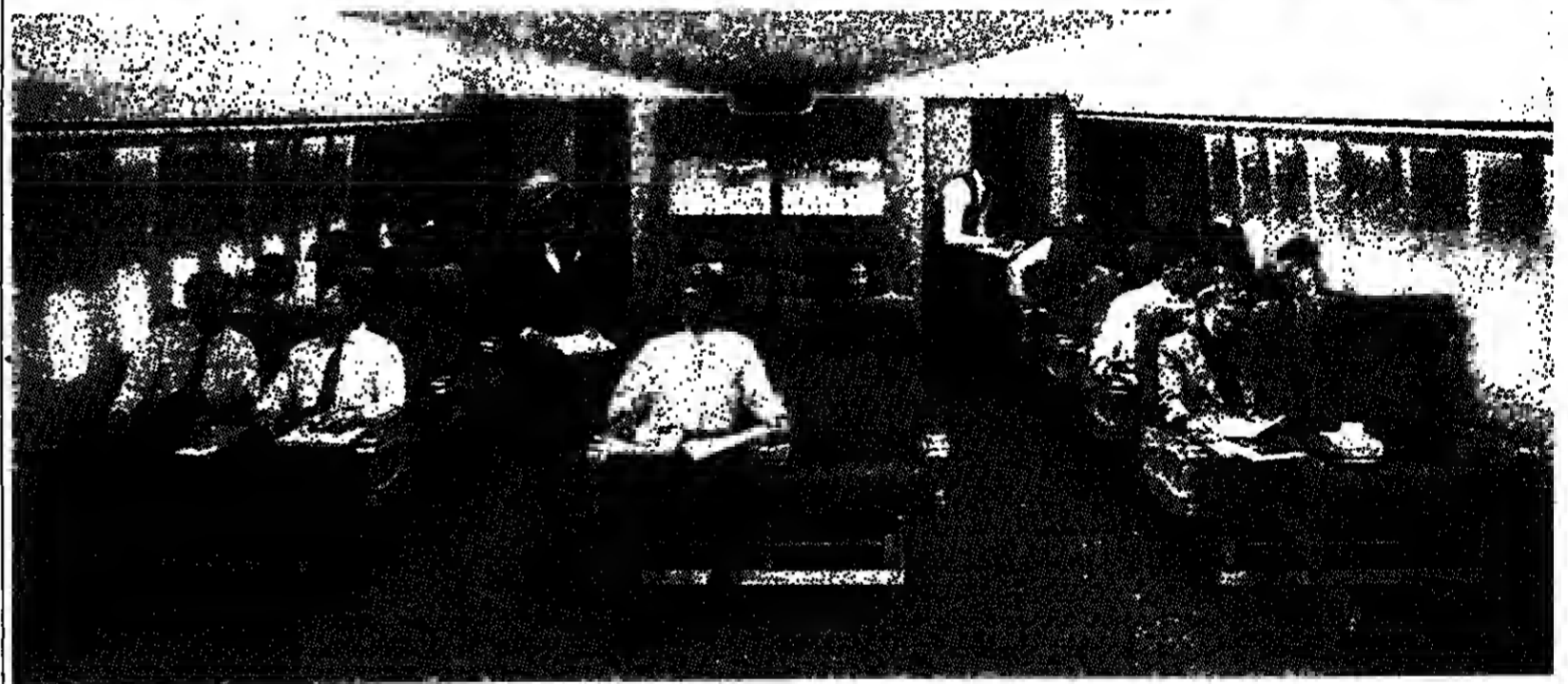
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Adam Jaafar, 23, a Malaysian soldier who killed one person and injured two during a shooting spree in Kuala Lumpur, was escorted by officers after he surrendered on Monday. Opposition politicians said the attack was racially motivated and a symptom of festering ethnic tension, an accusation that was discounted by government officials.

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RAMSES HILTON

Herald Tribune

Published With The New York Times and The Washington Post

Ban Chemical Weapons

Quite suddenly the possibility arises of Soviet and American agreement on banning the production, storage, transfer and use of chemical weapons. These are not the main weapons in either great power's arsenal, but they have a special aura of horror and are part of the immense attack capability that the Kremlin has prepared in Europe.

invited to the Shikhsany chemical weapons facility. But the visit, presumably intended to build confidence, built doubt, too. Not all the weapons that the Soviets are thought to possess were put on view, and the Kremlin still insists that it will not report on its stockpiles until a treaty is done.

Change the Rules for All

Ida Nudel's going-away dinner at the Vilnius restaurant in Moscow last week must have been a joy. The "mother of the Soviet refuseniks" was bound for Israel after 16 years of trying. Josef Begun, Moscow's unofficial rabbi, was there; his permission to arrive came last month. Vladimir Slepak arrived waving the permission he and his wife had just received. They applied 17 years ago.

cleared? And what of those Jews who stay? Will they be allowed to profess their faith, study Hebrew, pursue their cultural traditions without fear of reprisal?

Other Comment

Slow Recovery for UNESCO

It is a telling reflection on UNESCO's predicament that the nomination of Federico Mayor Zaragoza to be the new director-general was greeted mainly with relief because the controversial Amadou Mahtar M'Bow appears to have been thwarted in his ambitions for a third term. The weekend's antics will have done little, however, to restore UNESCO's battered credibility.

Americans Aren't Japanese

In recent years, we Americans have been beaten at our own game by the Japanese so often and so decisively that we have begun to think that they are not only better managers than we are, but have some intangible and decisive power. In fact, it was our missteps as much as Japan's right moves that led to our decline and its rise.

In Praise of Nancy Reagan

Breast cancer has long been among the greatest anxieties of all women and of the husbands and families who love them. Nancy Reagan could have gone quietly into the hospital for her operation, slipping anonymously through a back door. But she chose to go public, and for that we owe her our gratitude. It is better to talk openly about cancer, better to take the tests, better to get the treatment. It is fear that is most fatal. Nancy has shown none. We applaud her and we pray for her speedy recovery.



OPINION

War Powers At Liberty To Grumble

By Edwin M. Yoder Jr. WASHINGTON — Ever since Reagan administration agreed to put American flags on Kuwaiti oil tankers and provide them with an escort of U.S. warships, Congress has fumed that the 1973 War Powers Resolution is being ignored.

Human Rights Should Be Routine, Not Newsworthy

BOSTON — The Soviet government has acted in recent weeks to resolve some longstanding immigration cases. Early this month, for example, it gave an exit visa to Ida Nudel, a leading campaigner for Soviet Jews.

The Big Soviet Question Is Still Open

WASHINGTON — For many of us, the difficulty in grasping what Mikhail Gorbachev is up to is in fitting the notion of reform to our belief that Soviet society is organized by a Marxist-Leninist party precisely to contain reform.

Democrats: Don't Bet on the Enigma

WASHINGTON — The signs of incipient candidacy seem obvious. Mario Cuomo, the Democratic governor of New York, makes the first trip to Moscow, then impresses the establishment lions at the Council on Foreign Relations with his analysis of U.S.-Soviet relations.

100, 75 AND 50 YEARS AGO

1887: The Death Penalty LONDON — The cruel system of interposing long intervals between the conviction and punishment of criminals is troubling the public mind in America. The deterrent influence of punishment is obviously dependent to a great extent on the swiftness with which it overtakes the offender.

INTERNATIONAL HERALD TRIBUNE JOHN HAY WHITNEY, Chairman 1955-1982 KATHARINE GRAHAM, WILLIAM S. PALEY, ARTHUR OCHS SULZBERGER Co-Chairmen

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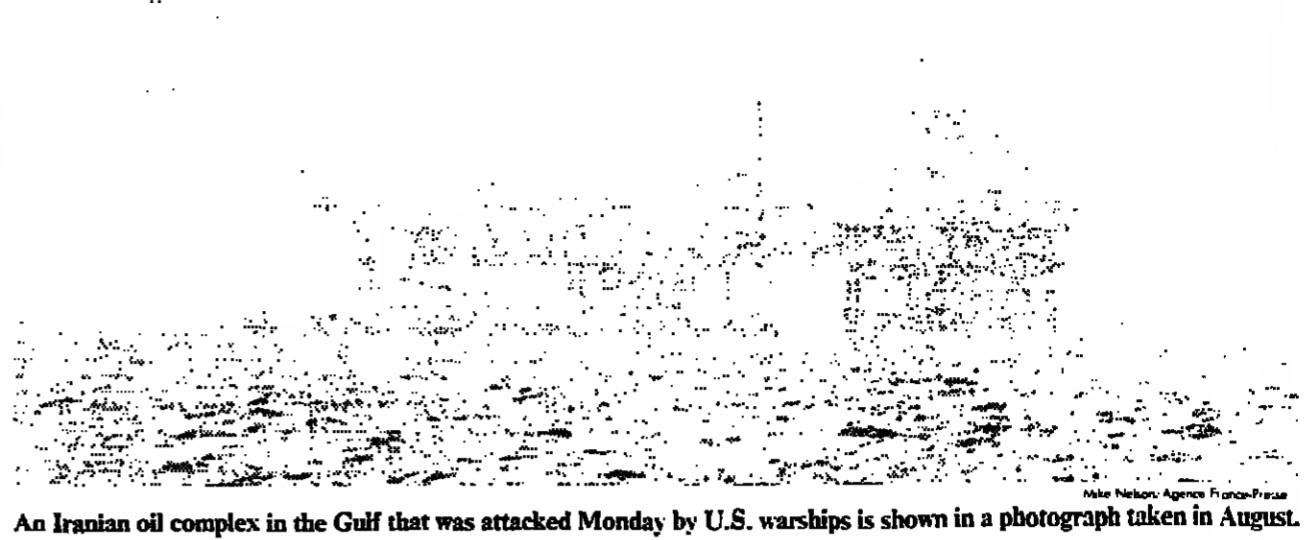
THE U.S. ATTACK IN THE GULF: Vowing revenge, Iran says America is now involved in a "full-fledged war."

Senate Paper STRIKE: U.S. Ships Destroy Iran Oil-Drilling Platform

(Continued from Page 1) confrontation with Iran, but we will be fully prepared to meet any escalation of military actions by Iran with stronger countermeasures. There was no Iranian military reaction to the attack, he added. Mr. Hoffman said the second platform was about 5 nautical miles (6 miles, or 10 kilometers) from the scene of the first one. Shortly after four Navy destroyers bombarded the first target, he said, "it was noticed that boats were taking people off another platform." "After this platform was abandoned, U.S. Navy men went aboard, looked around, destroyed some radar and communications equipment and then left." Mr. Reagan said in his statement that the United States "has no desire for a military confrontation with Iran, but the government of Iran should be under no illusion about our determination and our ability to protect U.S. shipping and interests. (Text, Page 7.) The U.S. action, he said, "is a prudent yet restrained response to this unlawful use of force against the United States and in numerous violations of the rights of other nonbelligerents." Last month, U.S. military forces attacked an Iranian vessel, the Iran Ajr, charging that it had been sowing mines in an anchorage used by U.S. ships off Bahrain. On Oct. 8, three Iranian boats were knocked out in a clash with U.S. forces. The White House consulted with congressional leaders before the attack but will not invoke a section of the 1973 War Powers Act that would give Congress a future veto



Seamen aboard a British-registered oil tanker in the Gulf, the Isomeria, moved sandbags the bridge of the ship on Monday to protect against Iranian attacks after the U.S. strike.



An Iranian oil complex in the Gulf that was attacked Monday by U.S. warships is shown in a photograph taken in August.

IRAN: Tehran Vows to Deliver a 'Crushing Blow' in Retaliation for Attack

(Continued from Page 1) menci, said Monday that Washington had made "a big mistake." "We will definitely retaliate and will not leave this American move unanswered," Mr. Khamenei was quoted as saying by Tehran radio. The Soviet press agency Tass condemned the U.S. naval raid as "an act of armed aggression." Among U.S. allies, Britain was quick to applaud the raid. Sir Geoffrey Howe, the foreign secretary, said the United States was "fully entitled" to take the action in self-defense. He said he hoped Iran would learn the lesson that continued attacks on U.S. shipping in the Gulf "will only enhance the justification for firm actions in self-defense." Other foreign ministers attending a European Community meeting in Luxembourg were either noncommittal or concerned about further escalation in the Gulf. Leo Tindemans of Belgium said the action was "regrettable" in that it came amid United Nations efforts to resume peace in the Gulf. Crown Prince Abdullah of Saudi Arabia, who is visiting Washington, said the United States was acting within its responsibility as a superpower in attacking the platform. But he declined to say whether or not he approved of the strike. Other Arab countries did not immediately comment. Tass drew parallels between the raid and secret sales of U.S. weapons to Iran. "The relationship between the latest armed adventure and the so-called Irangate is obvious," it said. "The exposure of covert arms deliveries to Iran placed Washing-

Text of Reagan Statement

WASHINGTON — Following is the full text of President Ronald Reagan's statement on the U.S. destruction of an Iranian oil platform in the Gulf on Monday: "Acting pursuant to my authority as commander in chief, United States naval vessels at 7 A.M. EDT today struck an Iranian military platform in international waters in the central Persian Gulf. This platform has been used to assist in a number of Iranian attacks on nonbelligerent shipping. Iran's unprovoked attacks upon U.S. and other nonbelligerent shipping, and particularly deliberate laying of mines and firing of Silkworm missiles which have hit U.S.-flag vessels, have come in spite of numerous messages from the government of the United States to the government of Iran warning of the consequences. "The action against the Iranian military platform came after consultations with the congressional leadership and friendly governments. It is a prudent yet restrained response to this unlawful use of force against the United States and to numerous violations of the rights of other nonbelligerents. It is a lawful exercise of the right of self-defense enshrined in Article 51 of the United Nations Charter and is being so notified to the president of the United Nations Security Council. "The United States has no desire for a military confrontation with Iran, but the government of Iran should be under an illusion about our determination and ability to protect our ships and our interests against unprovoked attacks. We have informed the government of Iran of our desire for an urgent end to tensions in the region and an end to the Iran-Iraq war through urgent implementation of Security Council Resolution 598." (AP, UPI, Reuters)

Advertisement for AT&T. It features a black and white photograph of a house with a garden. Text reads: "There's still no place like it. Call home." Below the photo, it says: "No matter where your business takes you, don't let it take you away from family and friends. Just pick up the phone. And feel the warmth of home. Reach out and touch someone." At the bottom, the AT&T logo is shown with the slogan "The right choice."

Advertisement for Canadian Overseas Marketing's Lotto 6/49. It features the headline "WIN \$ MILLIONS!" and "Strike it rich in Canada's Favorite Lottery. You pick your own numbers playing Lotto 6/49". The ad includes a "PRIZE BREAKDOWN" table, a "HOW CAN I PLAY?" section, and a "CANADIAN OVERSEAS MARKETING ORDER FORM" with a grid for selecting numbers. The prize table shows: 1st Prize (1 winner, \$13,890,588.80), 2nd Prize (10 winners, \$443,481.60), 3rd Prize (716 winners, \$3,704.70), 4th Prize (48,917 winners, \$199.30), 5th Prize (965,112 winners, \$10.80). The order form includes fields for name, address, city, country, and payment method (Cheque, Bank Draft, or Credit Card).

UN Investigates Charge That Military Data Was Passed On to Tehran

By Warren Getler
International Herald Tribune

LONDON — UN officials are investigating allegations by the president of a company specializing in analysis of satellite data who says he gave valuable military intelligence to Iran this month under the impression that he was giving it to the United Nations.

Peter Fend, the founder of Ocean Earth Construction and Development Corp., acknowledged that he was "naive." But he said in interviews that he approached the United Nations in New York out of a spirit of idealism and because his company was looking for "constructive" business.

Mr. Fend said his company, which is based in New York, believed that its satellite data could be used by the United Nations in monitoring a cease-fire in the Gulf War.

Instead, he said, a senior UN official from Pakistan, Iqbal Riza, organized a meeting at UN headquarters with two officials of the Iranian Foreign Ministry. They were identified as Mojtaba Mir-mehdi, deputy minister for legal affairs, and Mohammad Mahallati, director general for international affairs.

Mr. Fend acknowledged that he knew he would be meeting with Iranian officials, but said he assumed the meeting would be held under the auspices of the United Nations and monitored by its officials.

Instead, Mr. Fend said, the only UN representative present was a videotape technician.

A UN spokesman, Joe Sills, said the organization had begun an investigation of Mr. Fend's allegations.

"The matter regarding the relationship between the UN and Ocean Earth is being looked into by senior officials," he said.

Mr. Riza, a director of the Office of the Undersecretaries-General for Special Political Affairs, confirmed that he had met Ocean Earth in touch with the Iranians.

"I did arrange for the meeting in the UN," he said in a telephone interview. "The UN is a public place."

Mr. Riza said the link between Ocean Earth and Iran, as far as he was concerned, was merely commercial. "It is between them and the Iranians," he said.

Mr. Sills said Ocean Earth contacted the United Nations a couple of years ago about the possibility of using satellite photography for monitoring a cease-fire.

"We looked at it, but did not feel it would be of use," he said. "This year, Ocean Earth came back to us with some updated material, and they also requested that they be placed in touch with the Iranians."

"We did so and arranged for them to show a tape on Friday, Oct. 9, at the UN using UN screening facilities," he said.

"Officials from the Iranian UN mission had asked us to set up the screening," Mr. Sills said. "If any member of the UN asks us to do this, we normally would comply, it would be routine. There was never supposed to be a member of the Undersecretaries-General office in attendance. What happens between Iran and this company is totally their concern."

Mr. Fend said that the Iranian officials asked Ocean Earth to deliver a 30-minute videotape of images from the Shatt-al-Arab waterway, which lies on the front with Iraq. He said the Iranians agreed they wanted the images for military purposes.

"We told the Iranians that we were not here to do business with Iran, we're here to do business with the UN," Mr. Fend said. "Nothing is going to be delivered to anybody except through the UN, and that means Iraq and all other UN members would have access to the material."

Nevertheless, Mr. Fend asserts that valuable information was passed to the Iranians, including details of recent Iraqi fortifications.

He said "it could be very useful" for missile targeting and other military purposes. The meeting "ended up being an intelligence transfer to Iran — courtesy of the UN."

Images shown during the meeting, Mr. Fend said, included video recordings of photographic displays obtained from the U.S. civilian satellite, Landsat, and from Spot Image SA, the French civilian satellite agency.

He said that the Ocean Earth analysis of the data from the Gulf War zone reveals, among other things, construction of an Iranian canal that bypasses Fish Lake, a strategic barrier along the southern Iraq-Iran border, where most of the ground fighting is concentrated.

Ocean Earth has retrieved land images, including those of war zones and environmental hot spots, such as Chernobyl in the Soviet Union, from civilian satellites since the early 1980s. It has sold the data and analyses to news media and research institutes, including the British Broadcasting Corp. and CBS Television. Governments have not been among its customers, Mr. Fend said.

Mr. Fend also accused Mr. Riza of passing on to the Iranians an earlier videotape of satellite images from the war zone that his company had made for demonstration purposes. He is demanding that the United Nations pay \$30,000 for the tape.



Mikhail S. Gorbachev, left, spoke with Yegor K. Ligachev, widely seen as the Kremlin's No. 2 man, on Monday at the opening session of the Supreme Soviet, the nominal parliament. Nikolai V. Talyzin, chairman of the state planning committee, said at the session that the Soviet Union was behind schedule in light industry and machine building.

Soviet Economy Lags Behind Goals Two Months Before Major Reforms

By Celestine Bohlen
Washington Post Service

MOSCOW — Two months before the introduction of major economic reforms in the Soviet economy, key industrial sectors are lagging behind 1987 targets, Soviet planners said Monday.

Despite the slowdown in industrial growth, the 1988 budget presented to the Supreme Soviet called for even higher goals, which some Western analysts described as unrealistic demands that could affect the reforms in their early phase.

"It seems they have given into the temptation of setting ever higher goals," said a Western diplomat.

"If they would give themselves a breather, I would be more sanguine about the success of perestroika."

Perestroika, or reconstruction, is the Russian word used to describe Mikhail S. Gorbachev's program of reforms.

According to the plan announced in the Kremlin on Monday, the targeted increase in industrial output for next year is 4.5 percent, compared to the still-unrealized figure of 4.4 percent for 1987.

Financial Minister Boris I. Gostev said the 1988 budget was based on "a fundamentally new financial policy" that included redistributing "more than 100 billion rubles" (\$156 billion) back to the enterprises. He did not say how the money would be used.

Figures released this week showed that the new quasi-private cooperative sector is beginning to take off, with more than 8,000 cooperative enterprises, employing more than 80,000 people, at work as of Oct. 1. The growth of this sector has exceeded another key part of Mr. Gorbachev's program.

Presenting the 1988 budget Monday, Mr. Gostev for the first time distinguished the publicly announced military budget — 20.2 billion rubles, or 4.6 percent of the total budget — as limited to " upkeep of personnel, payment of pensions, military construction and other expenditures."

Mr. Gostev did not mention procurement of research and development, which Western military experts have considered for years to be the bulk of Soviet defense spending. His omission was seen as the first step toward a more frank indication of the real cost of Soviet military spending, estimated by some Western experts at 13 percent of the budget.

Mr. Gostev also revealed that cutbacks in alcohol sales had cost the state treasury 12 billion rubles, more than half of the amount of money in alcohol profits realized by the state during the 1970s.

JAFFNA: Indians in Stronghold

(Continued from Page 1)

against civilians by Indian troops searching for guerrillas or their sympathizers.

Troops from the Indian Army and commands of the Central Police Reserve Force have refused to estimate civilian casualties in Jaffna, the base of the Tigers.

But residents fleeing the city all speak of the killing of men, women and children as the Indians advanced on the town with armored personnel carriers and tanks, razing buildings along the route.

Jaffna's telephones are cut off, and there is no electricity and little food. Many residents have fled to temples or schools, or are trying to escape the peninsula altogether.

There were persistent rumors on Monday that the leader of the Liberation Tigers, Velupillai Prabhakaran, was hiding among 25,000 to 40,000 Jaffna residents who are said to be crowded into the historic Nallur temple.

Tamils in Colombo, who besiege new arrivals from the north, have heard that Mr. Prabhakaran, still a hero to many, has sent a message to the Indians warning that if they come for him, thousands of Tamil civilians around him would die.

There were also reports Monday that the Tigers had made another appeal for a cease-fire, but that the Indians had not found their terms acceptable.

In the Eastern Province, independent information is easier to obtain because telephone links are still good, and there are active citizens committees looking after local interests.

In Batticaloa, reports are emerging daily about Indian revenge attacks on the Tamil village of Sauragunda after an Indian Army convoy hit a land mine, killing 20 to 25 troops.

Separately, Prime Minister Rajiv Gandhi said Monday that India would not withdraw soldiers from Sri Lanka as long as its government permitted the troops to remain.

Sweden's Justice Minister Resigns Over Escape of Spy Left Unguarded

The Associated Press

STOCKHOLM — The Swedish justice minister resigned on Monday, accepting some of the responsibility for the escape of a convicted spy who was left unguarded during a conjugal leave.

The justice minister, Sten Wickbom, a former judge who held the cabinet post since 1983, said he was stepping down because he had not apprised himself of vital information that the spy, Stig Bergling, could escape.



Sten Wickbom

Mr. Wickbom said his department had known in September that Mr. Bergling would be given a conjugal leave with minimum security. He said he blamed himself for not finding out about the prison authorities' plans, although he refused to say whether he would have intervened.

Prime Minister Ingvar Carlsson, who announced the resignation, said the controversy over the escape was limiting the minister's ability to perform his job.

Mr. Carlsson later announced that the new justice minister would be Anna Greta Leijon, now the labor minister. He said Ingela Thelen would replace Miss Leijon.

The Wickbom resignation appeared intended to defuse criticism of the government's conduct in security affairs, including its investigation into the assassination of Prime Minister Olof Palme in 1986.

Parliament scheduled a special session for Tuesday. The opposition leader, Carl Bildt of the Moderate Party, said he would call for a government shake-up and changes in the justice department.

Mr. Wickbom, 56, was the second justice minister to resign since the Social Democrats returned to the government in 1982. His predecessor, Ove Rainer, quit after being accused of taking advantage of tax loopholes.

Mr. Bergling, 50, was serving a life sentence for selling security secrets to the Soviet Union in the 1970s. His spying was so extensive that Sweden was forced to revamp much of its defense system after he was caught.

On the night he escaped, Oct. 5, Mr. Bergling was allowed to spend the night with his wife while his guard slept at a nearby hotel. The practice is common except for dangerous criminals, who are also granted prison leave but under tighter security.

Mr. Wickbom said his department's information about Mr. Bergling "was of the character that they led one to doubt that the surveillance on Bergling would be sufficient."

"This I understood only last Friday," he said.

"I interpret my responsibility as chief of the ministry to mean that I cannot be ignorant of information of such a serious character," Mr. Wickbom said.

In March, Mr. Bergling was allowed his first prison leave since his conviction eight years ago. He was granted further vacations in May, June and July. Mr. Wickbom said. By July, the guard against Mr. Bergling was reduced to virtually nothing.

Mr. Wickbom said he had taken some corrective measures to tighten government supervision. But Mr. Carlsson said the scandal was limiting Mr. Wickbom's ability to take further action "and to reinstate the public's trust in the authorities."

"It is extraordinarily difficult to be minister of justice in a country where the premier is killed," Mr. Carlsson said.

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Kirkpatrick Sets Time to Reveal Plans CIA Men In From Cold, But Without a Pension

By Clyde H. Farnsworth
New York Times Service

WASHINGTON — They dropped agents and propaganda in Communist China in night missions from Taiwan, ferried food and supplies through Vietnam's anti-aircraft fire to the French at Dien Bien Phu in 1954, delivered weapons to anti-Communists in Burma and Laos.

Ostensibly, their employers were private commercial companies with names like Civil Air Transport Co., Air America, Air Asia Co., Intermountain Aviation, Southern Air Transport. Actually, they were wholly owned subsidiaries of the Central Intelligence Agency.

At their peak in the mid-1960s, the CIA companies together made up an airline almost the size of Trans World Airlines, operating about 200 airplanes and employing as many as 20,000 people. Now some of those employees are seeking a token of government recognition. They have applied for credit toward government pensions for their years as the covert troops of the Cold War.

But the government, refusing to acknowledge activities of the intelligence agencies in private business, has turned the employees down and has blocked their efforts to seek redress either through the civil service or the courts.

Although many of the CIA companies have long been closed, the requests for pension credits trouble the agency because they could lead to disclosures of activities that it has never officially admitted and that are undoubtedly continuing today in other forms.

One of the early warriors, Roy F. Watts, served 15 years with three CIA companies and made 33 air drops flying C-119s over Dien Bien Phu in the spring of 1954. He has just petitioned for a Supreme Court review of a case for pension credits that he filed 17 years ago.

Mr. Watts, now a civilian employee of the navy who has 23 years of recognized government service, would take home \$4,000 a month if he retired now with credits from his home in Escondido, California. "I figured all the time that I was part of the government. There was no difference between what I was doing and others who were working for the agency. But they got the government benefits, and I did not. It's not fair."

President Chiang Ching-kuo of Taiwan had refused to let assets owned by the American government be removed or transferred to new owners until a settlement was reached with the local employees, some of whom had worked for the CIA company for 25 years.

Other American airmen, foiled in their own efforts to obtain the pension credits, are closely following the Watts case. "I was a believer," said David H. Hickler, a pilot and crew chief who became assistant vice president of Air America in Laos. After leaving Air America in 1975, he sold Hughes helicopters.

"I hustled my gut for 25 years," Mr. Hickler, who is now retired, said in a telephone interview from his home in Escondido, California. "I figured all the time that I was part of the government. There was no difference between what I was doing and others who were working for the agency. But they got the government benefits, and I did not. It's not fair."

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102 Killed In Rail Crash Near Jakarta

The Associated Press

JAKARTA — Two crowded trains collided head-on Tuesday south of Jakarta, killing 102 people and injuring about 300, the authorities said.

Passengers who saw the trains headed for the collision jumped from the roofs and sides of the trains moments before the crash, witnesses said.

"There was no time to warn the others," a passenger said. "We just jumped for our lives."

Officials were unable to explain how the two trains ended up in a collision course on the same track. More than 300 soldiers and policemen were sent to the site, where rescue efforts continued into the night.

Officials said at least 102 people died in the collision and that about 300 injured were sent to seven hospitals in Jakarta.

The official said the collision took place at about 7:30 A.M. in the district of Bintaro Jaya, about nine miles (15 kilometers) south of the capital.

One train was carrying 600 passengers and the other 300, officials said.

Rescue workers were using saws and hammers to search through the tangled wreckage for the dead and injured. Scores of ambulances and three helicopters carried victims to hospitals.

JAPAN: Takeshita to Lead Party

(Continued from Page 1)

the prime minister's office that they would cooperate with Mr. Takeshita.

An aide to Mr. Nakasone said that both men would be given senior positions in the Takeshita administration, either the deputy premiership or the position of party secretary-general.

Mr. Takeshita will be formally elected prime minister by parliament, probably on Nov. 6, party sources said.

Mr. Nakasone, 69, is due to retire after five years in the post.

Political analysts say that one of Mr. Nakasone's main concerns in the political give-and-take of recent days has been to try to retain as much influence as possible over the next administration.

Mr. Takeshita, the eldest son of a sake (rice wine) brewer from northwestern Japan, served in the Japanese Army during World War II as an instructor.

He was appointed secretary-general of the Liberal Democratic Party following the party's stunning victory in the general elections of July 1986.

He served as finance minister between 1982 and 1986, but many political analysts say he lacks international experience.

Observers say that he is an ultra-cautious politician, that he relies on quiet reasoning rather than argument.

U.K. Jet Aborts Take-Off

Reuters

LONDON — A British Airways Boeing 737 bound for Stuttgart was forced to abort its take-off from Heathrow Airport on Sunday when a light plane crossed its path on the runway.

U.S. Aide to Visit East Berlin

Reuters

BERLIN — Deputy Secretary of State John C. Whitehead will travel to East Berlin next month, becoming the senior U.S. official to visit East Germany.

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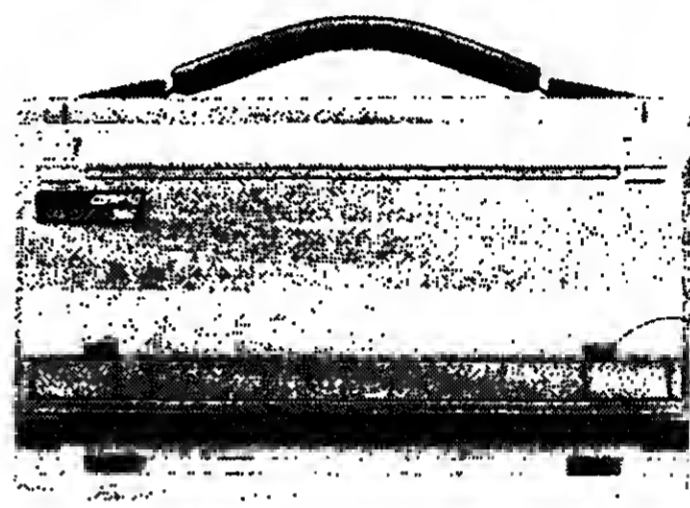
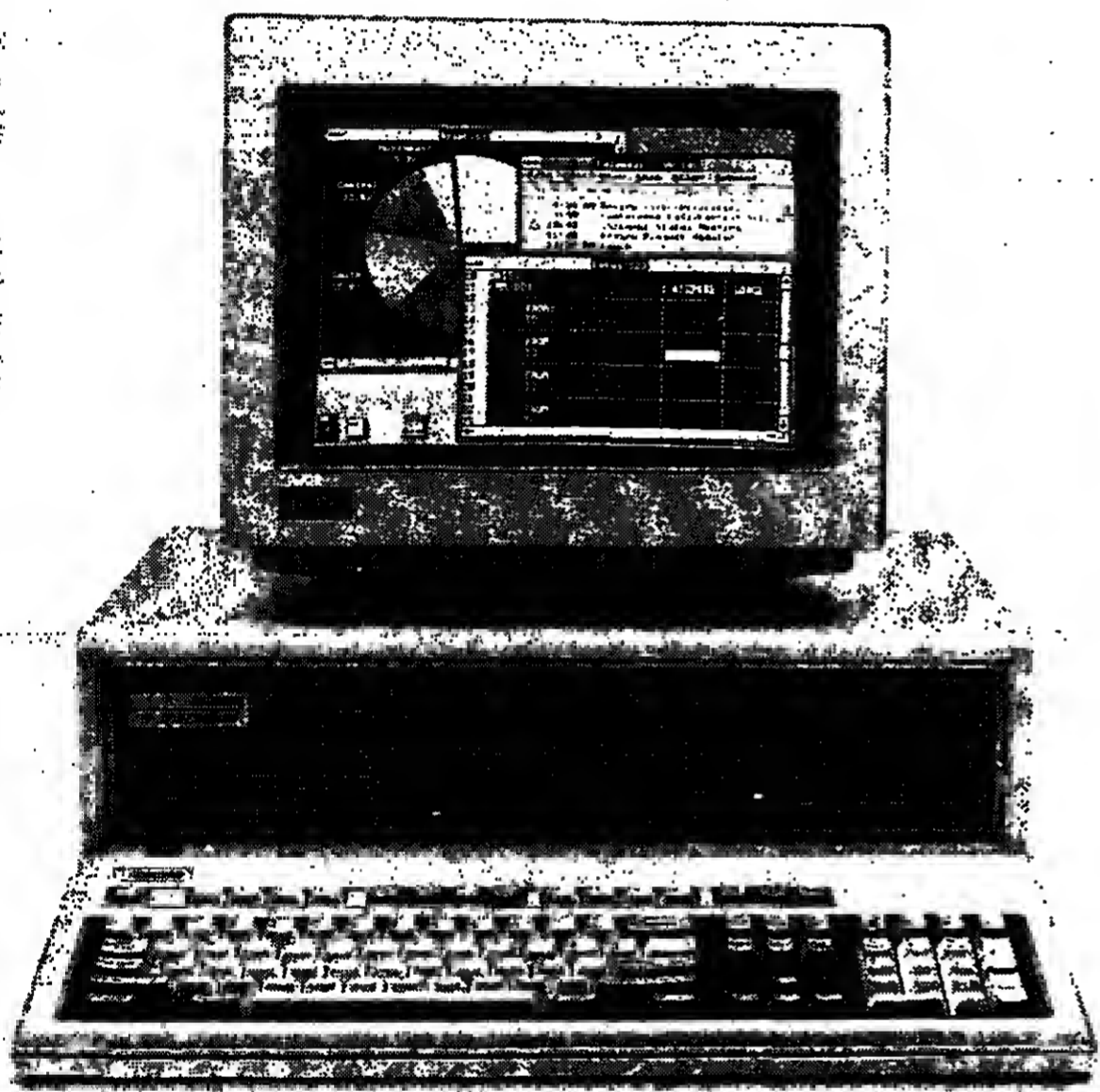
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ARTS / LEISURE

Lagerfeld Puts Chanel in a Playpen

By Bernadine Morris
New York Times Service
PARIS — If Karl Lagerfeld persists in rejuvenating the House of Chanel at his current rate, the clothes will soon be perfectly suited to the playpen set.

PARIS FASHION

handle bags small enough and the sneakers, mary janes, anklets and knee socks familiar enough to appeal to the young set.
The classic Chanel jacket has been almost completely transformed into a short fitted or swingy style in baby-colored plaids, such as pink, yellow, or blue with cream.

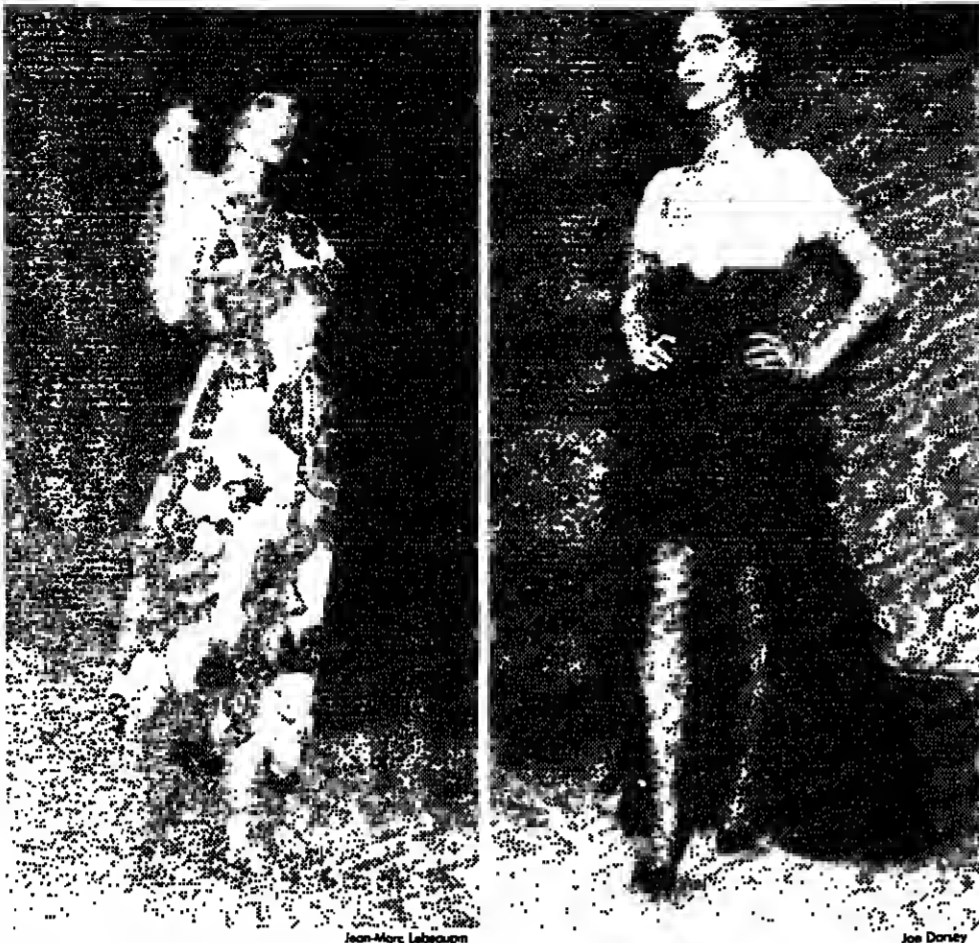
For them, Lagerfeld does indeed produce some longer jackets. There's one in beige linen for example, with a shapely facade decorated with a double row of gold buttons, another Chanel trademark. It was, however, shown with matching trousers, not exactly the all-purpose fashion choice.

In addition to skirts, there were also knee pants or shorts, additional reinforcements for the swinging Chanel image.

Some of the more interesting additions to the Chanel repertoire involved black lace. A short black lace skirt, for instance, accompanied a black leather jacket. Lace pants were worn with black T-shirts. A white satin sleeveless tunic was finished off with a black lace miniskirt. Inés de la Fressange, the model who represents the Chanel image, wore it with long black leather gloves.

Big bouffant skirts, draped like Viennese lampshades, bouncy taffeta baby dresses and bold flower prints were among the myriad fashion ideas that are destined to change the stately Chanel image once and for all.

Hubert de Givenchy did not set out to change the world of fashion. His clothes exemplify a lot of old-fashioned virtues. They're wearable and attractively proportioned and the colors are pleasing. A perfect linen suit has a green jacket with blue lapels repeating the blue of the skirt. His shoulders are squared off, his waist indented and his hem a decent level above the knees. It would exemplify good taste anywhere in the world.



The long, the short and the tall, at Kenzo (left) and Chanel (center and right).

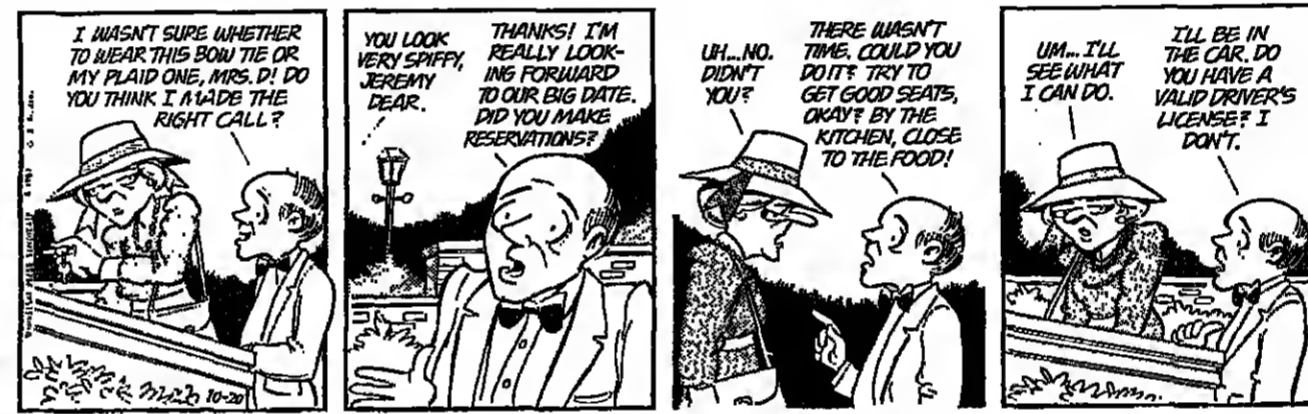
Hanae Mori's clothes are for the sophisticate. Sequined shirts, tailored leather suits and black or white crêpe dresses with nude insets are some of the things she does best. Her signature butterfly prints are everywhere.

Neither designer is a pace-setter, but both show attractive clothes.

Two Japanese designers have been seamlessly incorporated into the French fashion scene. Once the wild man who injected energy and excitement into the ready-to-wear showings, Kenzo now makes simple, well bred clothes with a chic Parisian look. Black dresses with white collars, good looking knitted clothes, pretty organza blouses with tailored pants — these are his specialties.

Of course he can't resist a foray into the kind of peasant clothes with which he has long been associated. So there are flowered pants with striped shirts and big swinging skirts in poppy prints, all in a kaleidoscope of vivid colors.

DOONESBURY



Playful 'Magic Flute' Reopens Historic Theater

By David Stevens
International Herald Tribune

PARIS — The new production of "The Magic Flute" besides being a continuation of the Mozart opera cycle of Daniel Barenboim and the Orchestre de Paris with Jean-Pierre Ponnelle as director-designer, celebrates the real reopening of the Théâtre des Champs-Élysées as a theater (as opposed to a concert hall) after the extensive decorative and technical renovation of a building that is one of Paris's historic and architectural monuments.

The rehabilitation of the public areas of the building is a pure delight. The theater, the product of the enterprise of the impresario Gabriel Astruc and the financier Gabriel Thomas, and the architects Henry van de Velde and Auguste Perret (one of the pioneers of reinforced concrete), is a monument of Art Deco a decade or so before the fact, and the first 20th-century building in Paris to be classified a historic monument.

It is also historic if only because it was the site of the uproarious first performance of the Stravinsky/Nijinsky "Sacre du Printemps" on May 29, 1913, less than two months after its inauguration on March 31 with a performance of Berlioz's "Benvenuto Cellini" under Felix Weingartner (a concert performance the same work reopened the theater on Sept. 23). It has never ceased to be one of the

city's major concert, opera and ballet houses.

The radical modernization and computerization of the stage machinery should eventually make the theater a contemporary work of art, when it starts working. "Magic Flute" owed more to Ponnelle's ingenuity and ability to switch concept in midstream than to the exploiting of new technical marvels.

In any case, this was a playful "Magic Flute" that looked back more to its origins in Viennese popular theater than to the weightier symbolism, and the proliferation of Ponnelle's ideas for moving his characters around may have just been a way of thumbing his nose at recalcitrant technology.

The orchestra was at the edge of the stage — the strings in a shallow pit, the other instruments at stage level — and the action took place around it, above and behind, on a ramp between orchestra and audience, in the audience and even in the wings. A moon and a sun descended from the flies according to symbolic oed, the Queen of the Night had a panoply of stars to accompany her, and the three portals of Nature, Wisdom and Reason were rearranged to suit the needs of the moment. The dragon chasing Tamino was long enough for its head to leave the stage by one route and re-enter by another while its tail was still on stage, and the children who provided its pedal extremities ended up joking with Papageno. A toy stage within the main stage provided a place for Papageno to put on her old hag's disguise in full view, and Papageno pulled a tree on stage for his "suicide," which the three boys foil

easily because they are already hiding in the foliage. And so forth.

But Ponnelle went further than sight gag, looking for character ambiguities. Tamino has a moment of faltering, when the rigors of moral testing exasperate him almost to adopting Papageno's lifestyle, and the two priests accompanying Tamino and Papageno have distinctly different personalities, one decidedly more easygoing.

Barenboim, from his podium in a central aisle dividing the orchestra in two, was sometimes drawn into the action, but mainly he led an grandly expansive account of the score — except at moments when the expansiveness threatened to become motionless. Those moments and the inclusion of substantially complete spoken dialogue, made for a long evening.

The generally fine cast was headed by David Reodall as a splendid Tamino, heroic without sacrificing the role's lyricism, and Joan Rodgers's radiant soprano made her a Pamina to match. Christian Boesch's Papageno was expert and authentically Viennese, although long experience in the part has provided a slight surplus of eggs. Philip Kang's solid bass had Sarastro's cool if not the lordly weight of the role, and Eva Lind did the Queen of the Night's coloratura exercises neatly. In the orchestra, Michel Debost played magically indeed for the sound of Tamino's flute.

At the Opera-Comique, Jean-Louis Martinoty has added "Il Tabarro" and "Suor Angelica" to his existing production of "Gianni Schicchi" to give the company a complete Puccini triptych, and to give Leona Mitchell a trio of varied roles in which to deploy her vibrant lyric soprano.

She and Jean-Philippe Lafont made a powerful Giorgetta and Michele and Hans Schavernoeh evocatively converted the Salle Favart's stage into a large deck for the opening Grand Guignol one-act. She did everything that pure vocalism and straightforward acting can do to overcome the mawkish sentimentalism of "Suor Angelica," and finally made the radiant best of her cool moment, "O mio habbino caro," in a performance that otherwise belonged to Gabriel Bacquier's Schicchi. Marcello Panni conducted well-paced readings.

"The Magic Flute," Théâtre des Champs-Élysées, Oct. 21, 23, 25, "Il Trittico," Opera-Comique, Oct. 27, 29.

Advertisement for Yves Saint Laurent Collection featuring a handbag and the text 'bags, luggage, leather goods' and 'YVES SAINT LAURENT Collection'.

Advertisement for Unicef featuring the headline 'The Vast Difference Between Vision and Blindness is Really Very Small.' and an image of a child's face.



Telecommunications

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The telecommunications revolution is highlighting the various European countries' industrial and political differences as no other technological phenomenon yet has.

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Third World VIII

The divide between telecommunications haves and have-nots appears to be lessening.

Third World Slowly Forging 'Missing Link'

By Sir Donald Maitland

LONDON — The least remarkable conclusion reached by the Independent Commission for Worldwide Telecommunications Development was that there was no single remedy for the uneven distribution of telecommunications across the world. A range of actions at different levels would be needed. The objective set by the commission of bringing the whole of mankind within easy reach of a telephone by the early part of the 21st century would be achieved only if all those who carried responsibility in this field were to join in a sustained effort.

For this reason, in its report, "The Missing Link," the commission addressed its 29 recommendations variously to governments of industrialized and developing coun-

Commentary

The author was chairman of the Independent Commission for Worldwide Telecommunications Development from 1983 to 1985. Since 1986, he has been deputy chairman of the Independent Broadcasting Authority in Britain.

tries, to international agencies, telecommunications operators, equipment manufacturers and finance houses.

These recommendations had four broad aims: to ensure that investment in telecommunications was given higher priority, to improve existing networks in developing countries, to take account of foreign exchange problems, and to make the role of the International Telecommunication Union more effective.

The commission believed that the key to progress lay in persuading developing countries about the essential contribution telecommunications make to economic and social progress, to national cohesion and the quality of life, and of the hazards of neglecting this sector when drawing up their development plans.

Once this message was understood, higher priority would be given to investment in telecommunications; this, in turn, would open the way for the other actions recommended by the commission. The secretary-general of the ITU shared our view. When I presented the commission's report in January 1985 he had already decided that this message had to be brought home to those concerned at the highest political level. What

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Finishing Tower of Babel

Prosperity Lies In Establishing Global Network

By Amiel Kornel

PARIS — Ever since Babel, men have equated communications with power. Confronted by a sudden multiplicity of languages, goes the biblical tale, ancient builders deprived of their ability to share information were unable to complete their celestial tower.

Motivated by more terrestrial concerns, modern nations and businesses, seeking to fortify the foundations of their future growth, today recognize more than ever the crucial role played by communications in the quest for economic and financial prosperity.

As business users clamor for more advanced communications equipment and services, information-technology companies are being forced to leap over national and technological frontiers.

"Clearly, there are market forces pushing these companies to look into new areas," said Kim Myhre, chief communications consultant at market researchers International Data Corp., based in Framingham, Massachusetts.

The capacity of a country to visualize what an advanced telecommunications network can offer has become one of the keys to growth.

"There must be an economic consensus on telecommunications as a superior tool for business and society," said Jean-Pierre Costinet, director of technology programs at management consultants Booz-Allen & Hamilton Inc. in Paris.

As that consensus grows, governments become eager to modernize telecommunications infrastructure and open competition in hitherto closed

markets, lest they be accused of blocking economic opportunity.

"There is a tremendous demand for services that are available globally," noted Midhat Gazale, president of AT&T France. "Countries that won't be able to cope with that reality might be bypassed."

Industrialized countries began investing heavily in expanding public networks in the mid-1970s after waking up to the link between telecommunications and economic prosperity. Voice telephone installations in many countries now have reached near-saturation levels, according to the Paris-based Organization for Economic Co-operation and Development.

By 1985, the 24 OECD member nations had installed 318 million telephone main lines, or 78 percent of the world total. That same year, those countries' investments in telecommunications networks totaled \$49 billion.

Developing countries are also hurrying to lay the electronic pipeline that will fuel their economic growth. Eager to catch up with the rest of the world, their public telecommunications networks are showing the fastest growth (up to 13 percent annually in some Asian countries), turning them into the main battleground of the largest equipment suppliers.

By 1990, annual worldwide expenditures for public networks will total \$125 billion, according to Arthur D. Little, consultants based in Cambridge, Massachusetts.

With their objectives of expansion largely attained, many governments have begun upgrading networks to handle the digital information generat-

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Standardization

Telecommunications Revolution Highlights European Differences

Europe's heterogeneity means that the strains imposed by the telecommunication upheaval are arguably more profound than in, say, the United States or Japan.

By Giles Merritt

BRUSSELS — The romantic overnight train journey from Paris to Madrid offers a vivid example of what happens when Europe gets things wrong. Instead of sleeping peacefully through the night, the unfortunate traveler is roused at 2 in the morning by a cacophony of loud noises. At the border town of Irun, the Wagon-Lits and couchette carriages are lifted bodily and swung onto different bogies, for Spain's wide gauge railway system cannot accept trains from elsewhere in Europe. It is one of the reasons that Spain until recently had long stagnated as an industrial power.

It is also a lesson for Europe now that Europeans are wrestling with the difficulties created by the telecommunications revolution. Telecommunications will be at least as important to the 21st century as railways were to the 19th, and the problems of standardization are perhaps a hundred times greater. The telecommunications revolution is currently highlighting the various European countries' industrial and political differences as no other technological phenomenon yet has. Europe's heterogeneity means that the strains imposed by the telecommunication upheaval are arguably more profound than in, say, the United States or Japan.

At stake for many European nations is the survival of the huge telecommunications companies that are their high-tech national champions. At the same time, Europe's industries are all crying out for the most efficient telecommunications services and infrastructures as a vital part of their own strategies for regaining international competitiveness.

The heart of the telecommunication revolution is, of course, the advent of computerized digital telephone exchanges. The world's top 12 telecommunications giants have between them spent more than \$10 billion on developing their own versions of the new microchip-powered switchgear that will be the basis of the coming transformation of telecommunications.

Within a few years, the long-heralded "electronic village" will become a reality, thanks to optical fiber cables and digital switchgear that will be able to handle a sophisticated mixture of different services. These will range from the familiar voice telephone to high-speed "interactive" services in which the customer can put questions to the computer and even to the television set.

The market for digital switchgear and for the next generation of goods and services that would be carried by the new Integrated Services Digital Networks (ISDNs) is huge. EC officials in Brussels reckon that by the turn of the century 7 percent of European Community countries' gross domestic product will result from telecommunications, instead of the present level of 2 percent. They also forecast that over 60 percent of all jobs in the EC may by then depend on telecommunications.

In money terms, it is hard to put a meaningful figure on a market that is snowballing so rapidly. Today's world market for both equipment and services in those Siamese twins of telecommunications and information technology is being put at over \$500 billion. At the same time, analysts estimate that the worldwide telecommunication equipment market will by 1989 have reached \$85 billion, or almost double its size five years before.

What these multibillion-dollar forecasts tend to disguise, however, is the grim arithmetic of staying in business during such a period of turmoil. The market for digital switchgear and associated equipment is neither large enough nor growing fast enough to allow all the major telecommunication giants to recoup their development costs, let alone flourish side by side as the telecommunication revolution gathers momentum.

The greatest threats to companies' survival, needless to say, are in Europe, where the sizes of national markets are insufficient to guarantee a company an adequate return on research and development investment costs. To cover the \$1 billion or so invested in the development of its switchgear, a manufacturer needs sales of at least \$14 billion over the 10 years after it has launched its product.

Not one of the national markets in Europe is worth that much. The West German market amounts to \$11.7 billion for the decade up to the mid-1990s. France is worth \$10.9 billion and Britain \$7.2 billion. With the yearly cost of keeping just the computer software on a digital switch system now being put at \$100 million, telecommunication manufacturers are under no illusions about the pressures on them.

Giant European companies, like West Germany's Siemens, have said that major export contracts will be needed to help pay off the development costs of their switchgear. Some experts have estimated a switch manufacturer needs 10 percent of the world market to cover costs, while Siemens has said it requires 15 percent of worldwide sales for its EWSD system.

Forging International Alliances

In Europe, national markets are too small to provide sufficient return on investment in digital switch systems. Major companies are joining forces, mostly across frontiers, to improve their positions.

Transatlantic

AT&T has joined with Philips of the Netherlands in a venture, called APT, worth \$31.6 million, as well as with Telefonica of Spain and Olivetti of Italy. GTE, the third ranking U.S. switchmaker, is allied with Siemens in a venture worth \$420 million. Northern Telecom Ltd. of Canada earlier this month bought a 27.8 percent share in Britain's STC for \$730 million.

The effect of these pressures has been to push the telecommunication giants into a series of hurried alliances. The latest of these has been inside Britain, where GEC and Plessey, the two companies that jointly developed a single switchgear called System X, are in go a step further and merge their telecommunication businesses into a \$2-billion-a-year company.

Yet that may not be enough to ensure that System X survives. Many other European telecommunication companies have opted for cross-border marriages. At the start of this year, France's privatized CGE (Compagnie Générale d'Electricité) merged its Alcatel telecommunication equipment concern with the European telecommunication activities of ITT. That created the world's biggest single digital switch manufacturer, although with both the ITT System 12 and French E-10 systems.

Other trans-frontier links have included the Italtel and Telettra merger in Italy, to create TeIt, and a three-way alliance between Sweden's Ericsson and Matra and CGCT of

Britain

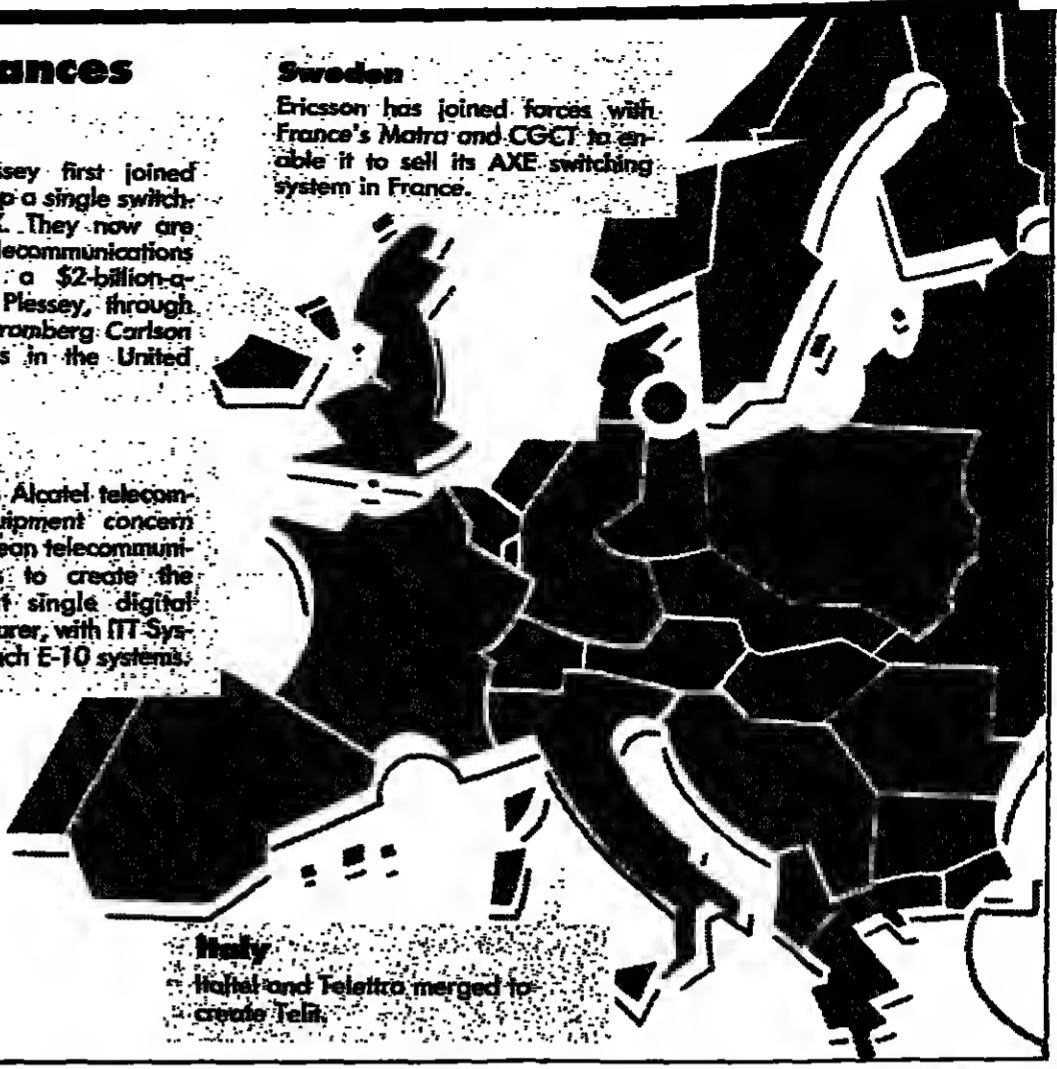
GEC and Plessey first joined forces to develop a single switchgear, System X. They now are merging their telecommunication businesses into a \$2-billion-a-year company. Plessey, through its subsidiary Stromberg-Carlson is making gains in the United States.

France

CGE merged its Alcatel telecommunication equipment concern with ITT's European telecommunication activities to create the world's biggest single digital switch manufacturer, with ITT System 12 and French E-10 systems.

Sweden

Ericsson has joined forces with France's Matra and CGCT to enable it to sell its AXE switching system in France.



Italy

Italtel and Telettra merged to create TeIt.

France that will enable the Swedish company to sell its AXE switching system in France.

Trans-Atlantic alliances, meanwhile, have also flourished, with AT&T and Philips involved in a joint venture called APT, and Siemens the senior partner in a deal with the No. 3 U.S. switchmaker, GTE.

All the signs are, though, that these linkups are just the beginning. There are still 12 major switch manufacturers, and there is probably only enough business for six to eight of them. The smaller ones, like the British and Italian groupings, may not last the course, while the other national champions around Europe may have to join forces with their present-day competitors.

The market logic of the situation should thus be impelling the European producers to use the mechanisms of the EC to create a single European market for telecommunication equipment. Instead, the truth is that they have paid much lip service to the ideal of European integration, but have not been prepared to see

their captive national markets opened up to competition from elsewhere in the EC, let alone from the United States or Japan.

Between 70 percent and 90 percent of all telecommunication equipment sales in Europe are controlled by national governments' public procurement contracts, and these are jealously closed to foreign suppliers.

The European Commission published in mid-year a long-awaited green paper on the development in the EC of a genuinely common market in telecommunication goods and services, and put forward in this discussion paper its own framework proposals for ways in which EC countries should liberalize their telecommunication markets and allow freer competition.

The Brussels authorities' concern is to breathe fresh life into telecommunication as well as into other high-tech areas like computers and semiconductors. Curtailing the monopoly powers that have gripped much of Europe's telecommunications since birth will, it is hoped, give a new dynamic to the sector.

Specifically, the EC Commission is proposing that, while voice communication, the telephone, may best be controlled by national PTTs, there should be liberalized markets for services, terminals and network equipment.

The EC's green paper has been well received by the European press and by the member governments. What nevertheless remains to be seen is how much of its liberalization proposals will eventually be adopted by the member states.

Europe's track record for joint action and cooperation in areas where "vital national interests" can be invoked is notoriously poor. The alternative, however, is the even more unattractive prospect that Europe would trail behind the rest of the industrialized world while the telecommunication revolution accelerates.

GILES MERRITT is a journalist based in Brussels.

Prosperity Lies in Modernization

Continued from page 1

ed by computers. About 10 million digital local lines, worth \$5.9 billion, were placed in service in the United States in 1986, according to market analysts Northern Business Information Inc. of New York. This figure compares to four million lines in 1984 and eight million in 1985.

Once in place, an advanced network stimulates demand by business users and, by consequence, the growth of markets for private communications equipment and services.

According to analysts Dataquest Ltd., the European market for private communications equipment in 1986 totaled \$7.9 billion and is expected to rise to \$11.2 billion by 1991. The U.S. market, evaluated at \$13.7 billion last year, should total \$20.3 billion at the end of the five-year period, predicted the Loudon-based firm.

Companies once content to limit their information processing to computers located on their premises are now linking up their systems with far-flung affiliates and other business partners. In some large companies, communications needs are estimated to be growing by up to 40 percent a year, according to a user survey conducted last year by the Roundtable of European Industrialists.

Financial institutions, multinational corporations and airlines are among the most demanding users.

Last July, for example, a group of four European airlines (Air France, Iberia, Lufthansa and Scandinavian Airlines) accounting for 60 percent of the scheduled European air market, announced plans to spend \$300 million on the creation of a travel information and reservation network. Dubbed Amadeus, the system is to be fully operational within two years.

With effective telecommunications now recognized as critical to a company's success, business users have become a driving force in the industry. User organizations are pressing for political and industrial policies that protect their growing investments while enhancing their communications capability.

Foremost among their concerns are the definition and implementation of industrywide standards and the liberalization of markets. The business imperatives of the international marketplace mean technological and political frontiers must be broken down, they say.

"Standards and standards-making are paramount," said George McKendrick, executive director of the International Telecommunications User Group (INTUG).

INTUG and other organizations have been promoting efforts by the International Standards Organization and the Consultative Committee on International Telegraphy and Telephony, both in Geneva, to define industrywide communications protocols that would assure the inter-operability of equipment from different manufacturers. This is particularly crucial as Integrated Services Digital Networks (ISDN) that offer the possibility of transporting vastly greater volumes of digital information begin to appear.

Users and information-technology companies, as well as the Commission of the European Community in Brussels, also have been pressing governments to ease their hold on equipment and services markets.

"The globalization of the business is driving the globalization of deregulation," said AT&T's Mr. Gazale.

While telecommunications authorities in the United States, Japan and Britain have been privatized or deregulated, government ministries in other industrialized nations continue to maintain a monopolistic domination over the provision of services and the procurement of equipment.

But Europe seems to be finally on the verge of market liberalization.

"There will be drastic changes," predicted Ernst Weiss, former president of INTUG, noting that France and West Germany have recently shown signs of following up on promises of liberalization. "Most of Europe was waiting to see what Germany and France would do," he explained.

On Sept. 25, the French Ministry of Posts, Telegraph and Telephone, or PTT, took its first official step toward opening the telecommunication market with the publication of a series of decrees that allow private firms to resell to third parties value-added network services (VANS) operated over leased lines.

IBM rushed to take advantage of the crack in the country's telecommunication monopoly, announcing Oct. 10 the formation of a joint VANS venture. Called Axone, the network is owned in conjunction with French financial institutions Paribas and Crédit Agricole, and software and services company Scana-Metra.

Other companies, including Italy's Ing. C. Olivetti & Co., have also expressed an interest in entering the liberalized French VANS market.

France is also studying bids for what will become the country's second supplier of cellular telephone services, another area where competition has until now been absent.

Similarly, West Germany's PTT, the Bundespost, announced on Sept. 21 that the country's markets for enhanced telecommunication services and terminals will in the future be open to competition between private suppliers.

France and West Germany, as well as other European governments, have been under pressure from the EC Commission to open up the telecommunication markets. On May 26, the Commission issued a green paper concerning the development of a common European market for telecommunication services and equipment. Among the proposals outlined in the document, the commission calls for the "unrestricted" provision of value-added services and terminal equipment among the EC's 12 member nations.

The green paper has been applauded by users and industry. Helmut Schmidt, vice president for telecommunications at IBM Europe in Paris, called the EC document "a blueprint of how governments should go about liberalizing their markets."

With the promise of industrywide standards and open markets looming on the horizon, information-technology companies are scrambling to adapt their strategies to the new commercial environment. They are increasingly finding themselves obliged in venture into unfamiliar turf as they diversify their activities both geographically and commercially.

"We're just beginning to understand the international opportunities that are open to us," said Richard Varborough, vice president for public relations at BellSouth Corp. in Atlanta, one of the seven regional operating companies born of the divestiture of AT&T in January 1984.

And with deregulation advancing, European and North American companies are crisscrossing the Atlantic in search of new business opportunities.

"The best way to proceed internationally is by forming alliances and partnerships," said Charlie Coe, president of BellSouth International, the company's international marketing arm.

AT&T and Canada's Northern Telecom Ltd., the two leading equipment suppliers in the United States, have formed alliances with major European communications firms in their efforts to penetrate the still closely protected European market.

AT&T has hooked up with N.V. Philips of the Netherlands, Telefonica of Spain and Olivetti.

Northern Telecom earlier this month bought a 27.8 percent share in Britain's STC PLC for \$730 million. "Northern Telecom is trying to use its strength in North America to move more forcefully into international markets," explained a company spokesman, Russell Plumley, in London.

After divestiture, European firms began hungrily eyeing the U.S. market. West Germany's Siemens AG, Sweden's Ericsson and Britain's Plessey (through its U.S. subsidiary Stromberg-Carlson) are chalking up sizable contracts for public network installations. Ericsson has predicted annual orders for 100,000 lines for the next five years.

But the going is sure to get rougher as operating companies complete installing digital networks and the demand for public communications gear levels off.

And adapting to a global market can be a painful and difficult experience for a company.

"How can some of these previously protected companies succeed when they are confronted with companies that have experience competing in international markets?" asked Jean-Marc Harion, consultant at International Data Corp.'s Paris office.

While geographical barriers fall, distinctions between information-technology sectors are starting to blur. Companies can no longer confine themselves to selling only computers, networks, terminals or services.

"In the long- and medium-term, computers and telecommunications will be indistinguishable," predicted Mr. Gazale, "both in terms of technology and applications." AT&T entered the computer business after 1984, most notably through a cross-marketing agreement with Olivetti.

IBM Corp., the world's leading computer maker, has made several moves in recent months to carve out a strong position in this area, including the buyout of equipment supplier Rolm in the United States.

"Networks are where we're seeing the priority of our customers," said Mr. Schmidt of IBM. "We believe, and see evidence of the fact, that telecommunications is becoming the infrastructure of information processing."

If mergers, acquisitions and alliances have become the leitmotif of the communications industry, it is not only because of the geographic, technological and commercial synergies involved. The gargantuan level of financing required to compete in the new international telecommunications game has made such tie-ups ineluctable.

"The barrier is the financial power of carriers to replace existing networks and of equipment manufacturers to develop new products through R&D," Mr. Coffinet said. "Those who can't afford those developments will be killed."

AMEL KORNEL is the European editor of IDG Communications Inc. of Framingham, Massachusetts.

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International Mandate

Restructured French Industry Moves Into a More Competitive Position

By Karen Lynch

PARIS — French government and industry leaders orchestrating the virtual overhaul of the French telecommunications industry have taken each step with their sights trained on the international market.

Only the world market can fuel such giants as the Alcatel N.V. telecommunications equipment manufacturer and the Direction Générale des Télécommunications (DGT), France's government-run telephone company.

And the much-heralded dismantling of European trade barriers in 1992 has sent French industrials large and small scrambling to strengthen operations at home while building European alliances addressing a new European market.

The international mandate is palpable. At the French-controlled Alcatel, for example, the official language is now English.

When Marcel Roulet took over as the DGT's director general earlier this year, he made business calls to London and the United States before ever meeting with key French customers.

And at France Cables et Radio, a DGT subsidiary, a dynamic team of engineering consultants makes regular raids on Britain for coveted private network contracts.

Taken alone, last January's merger of Alcatel with ITT Corp.'s telecommunications subsidiaries put the French among the world's top telecommunications equipment suppliers.

But the restructuring of the French telecommunications industry has not stopped there. In the services sector, the DGT is being streamlined, with 2,000 out of 165,000 jobs eliminated last year alone.

The French minister of posts and telecommunications, Gérard Longuet, has floated a law that would overhaul the DGT's structure. And already within the telephone company, reorganizations are taking place to enable the company to better address large business customers.

The dismantling of European trade barriers in 1992 has sent French industrials scrambling to strengthen operations for a new European market.

The DGT's telephone rates are being rebalanced, its rules of operations changed and its required contributions to the state Treasury challenged — all in preparation for the opening of competition in advanced telecommunications services.

"France is in a good competitive position," Mr. Longuet said last month.

The country's modern telephone network, which has a high percentage of lines that are digitalized to carry computerized information, is often cited by Mr. Longuet and other French officials as a key to this position. France is also a world leader in providing the so-called packet switching services among computers over its public Transpac network. Its Minitel has been a solid success while similar videotext networks in other countries have failed.

The DGT also announced last month that it had become the first to commercialize the Integrated Services Digital Network concept of future telecommunications. ISDN provides telephone calls, computerized information, documents, television and other services all over a single line leading to a multifunctional terminal.

By getting these services up and running before some of its foreign competitors, the DGT is not just preparing for eventual competition at home. It is increasingly looking to leverage its network-development experience

to market products and services on the world market.

The DGT has set up six offices abroad, plans to enter joint ventures in foreign countries to offer sophisticated communications services, has gotten a contract to set up a Minitel network in the United States, has launched its satellite whose signals cover Europe and part of North America and has participated in consortiums laying high-speed fiber optic cables around the world.

In the market for telecommunications equipment, Alcatel is the second largest supplier in the world, with business activities in 110 countries.

Under the decentralized management philosophy of Alcatel's chairman, Pierre Suard, the incorporation of ITT's subsidiaries into Alcatel has run a surprisingly smooth course this year.

Beyond that, the French this year gained access to new technology for switching equipment and the next generation of cellular radio systems in its maneuvering of the sale of Compagnie Générale des Constructions Téléphoniques.

The sale of CGCT to a joint venture of the French telecommunications and electronics concern Matra S.A. and Sweden's Telefonaktiebolaget Ericsson was clinched by a cellular technology transfer offer from the Swedes.

Now, Matra stands in good stead to address a cellular market that is expected to serve about three million customers in Europe by 1995.

Matra is considering further affiliations with German equipment manufacturers, as is the Jeumont-Schneider S.A. electrical and telecommunications equipment manufacturer.

And France's computer services and software houses have been merging and expanding internationally at a time when more advanced telecommunications services and private telecommunications networks are becoming more and more dependent on software.

The French government has had a hand in nearly all of this restructuring. "Capitalism à la française is bastard and incestuous at the same time," said Jacques Darmon, author of "Le Grand Débarquement," an analysis of French telecommunications. "The nation's telecommunications industry was born of public initiatives. And at each stage of its development, the industry relies on the state."

It is this kind of intervention that has led critics to accuse the French of keeping their market closed while preparing for international competition.

For example, Mr. Longuet announced the opening of the market for value-added services in May 1986, but only last month came up with the rules under which such services can be offered. Now those rules will impose special surcharges and conditions on IBM and other large operators who might pose a threat to the French telephone company by launching public networks.

AND in the market for office telephone equipment, where the DGT claims to be open to competition, foreign suppliers would be hard pressed to agree. The DGT has been running Northern Telecom Ltd.'s advanced private telephone switch through a technical approvals process for more than two years, virtually handcuffing the company's marketing activities in France. But France's industrial politicking has also "helped to create an industry which is fairly



Gérard Longuet

harmoniously balanced," said Dimitri Ypsilanti, principal administrator of the division of information computer and communications policy at the Organization for Economic Cooperation and Development.

By building up a digital network and services, the French industry has developed a complete, integrated, proven line of telecommunications hardware, software and components, Mr. Ypsilanti said. They have developed needed experience in the services sector as well.

This is what the French are bringing to bear on the international market. Though well positioned, France has continued to register some low marks on the world market. The company has a very small presence in the United States — the world's largest

telecommunications market. Alcatel, for example, has dropped out of the running for sales of big switches to the Bell Companies that dominate the U.S. market, although the company is planning to come back to this market with more advanced switching and networking equipment.

Nor have the DGT's attempts to parlay Minitel into a mass export item attained much success. Michel Noir, minister of international commerce, lamented recently. In the United States, the DGT's first public videotext network contract is with a virtually unknown company.

France saw its exports of telecommunications equipment, which grew at an annual rate of 22 percent between 1972 and 1984, drop 20 percent last year, according to the Audiovisual and Telecommunications Institute in Europe. But most countries experienced similar downturns as a result of world market conditions, Mr. Ypsilanti said.

"An investment swing is starting," Mr. Ypsilanti said, because more and more countries are digitalizing their networks. "But I don't think it's big enough for everyone to have a piece of the cake."

"If I had to say who would survive in Europe, I'd have to put the French in the first group to survive." Others could be West Germany's Siemens AG or Ericsson, he said.

For any country, survival in the switching business is critical.

"Switches are more than just the manufacture of a piece of machinery. They have industrial policy importance and strategic technological importance," Mr. Ypsilanti said. The development of telecommunications switching technology drives semiconductor, software and other industries important to a national industrial base, he said.

KAREN LYNCH is European correspondent for CommunicationsWeek, an American newspaper covering the telecommunications industry.

Manufactures

EC Key Market For Equipment

By Jack Stockdale

LONDON — The European Community has become the prime market target for the world's telecommunications equipment manufacturers.

With fairly slow growth in many traditional markets, particularly the United States, the 12 EC countries have collectively become the world's most lucrative market.

Spending on telecommunications equipment in the United States has leveled off at around \$24 billion a year with growth of between 2 percent and 4 percent forecast until 1990.

The EC members spent \$20.6 billion in 1986 and this is forecast to rise to \$28 billion in 1990 — an average growth of 8 percent a year.

Since the United States is expected to spend \$27 billion in 1990, the EC countries together will become the largest telecommunications equipment market in the world.

Manufacturers have been quick to see the opportunities with a large number of mergers, joint ventures, share participation plans and subsidiary formations over the last three years.

The latest of these was earlier this month when Canada's Northern Telecom bought ITT's 24 percent share in Britain's STC, bringing its stake to 27.8 percent.

These corporate moves have been designed to make far easier entry of products into the European Community and to gain advantage of the tariffs that will make pricing more competitive.

The other attraction to Europe is that the financial risk is extremely low compared with other major world developing markets such as China and India where manufacturers often have to make very long-term credit arrangements.

The two other major world markets, the Soviet Union and Japan, have not yet become lucrative to North American and West European manufacturers.

The Soviet Union is now the second largest telecommunications equipment market in the world after the United States, having replaced Japan in 1985.

The COCOM (Coordinating Committee for Multilateral Export Controls) technical exports agreement, which bans the sale of certain telecommunications products to the Soviet Union, is expected to be amended in September 1988, and this should improve the West's supply position to the Soviet Union.

The Soviet Union is expected to spend \$9.6 billion on telecommunications equipment in 1987. This is forecast to rise to \$13.4 billion in 1990.

In 1984, the latest year for which official trade figures are available, Moscow imported telecommunications equipment worth \$924 million, of which the West supplied only \$37 million.

Analysts forecast that, because of the huge telecommunications development program, the Soviet Union will have to import \$5 billion worth of equipment by 1990. If the COCOM ban is lifted, imports from the West could reach \$350 million.

The Soviet Union currently has 26.6 million telephones, which it hopes to expand to 33.6 million in 1990 and 48 million by 2000.

Large exchanges of between 100,000 and 150,000 lines will be

built in five major cities and their rural program calls for the installation of more than 2,000 exchanges of between 1,000 and 1,500 lines.

In 1986, Japan's spending on telecommunications equipment was just over \$7 billion and this is forecast to rise to \$8.5 billion in 1990.

The recent flotation of Nippon Telegraph & Telephone has not led to the opening of the market that was expected and, in fact, many analysts feel that it will be a long time before foreign countries make major inroads into the Japanese equipment market.

As a result, the world's manufacturing countries have all made efforts to get into the European market, although in some areas — public switching, PABX systems,

Members are expected to spend \$28 billion on equipment in 1990.

and telephone handsets — the EC is becoming very crowded.

The areas that provide the most opportunity will be data communications, mobile communications and value-added services.

The problems that manufacturers are facing in Europe are that many markets are still very restrictive in accepting anything but basic customer premises equipment, and there is little likelihood that this will improve over the next five years despite the efforts of some governments to introduce limited deregulation of their PTTs.

At present, Britain is the only member of the EC with a complete network — British Telecom and Mercury Communications.

The French government may also have a second network within the next five years.

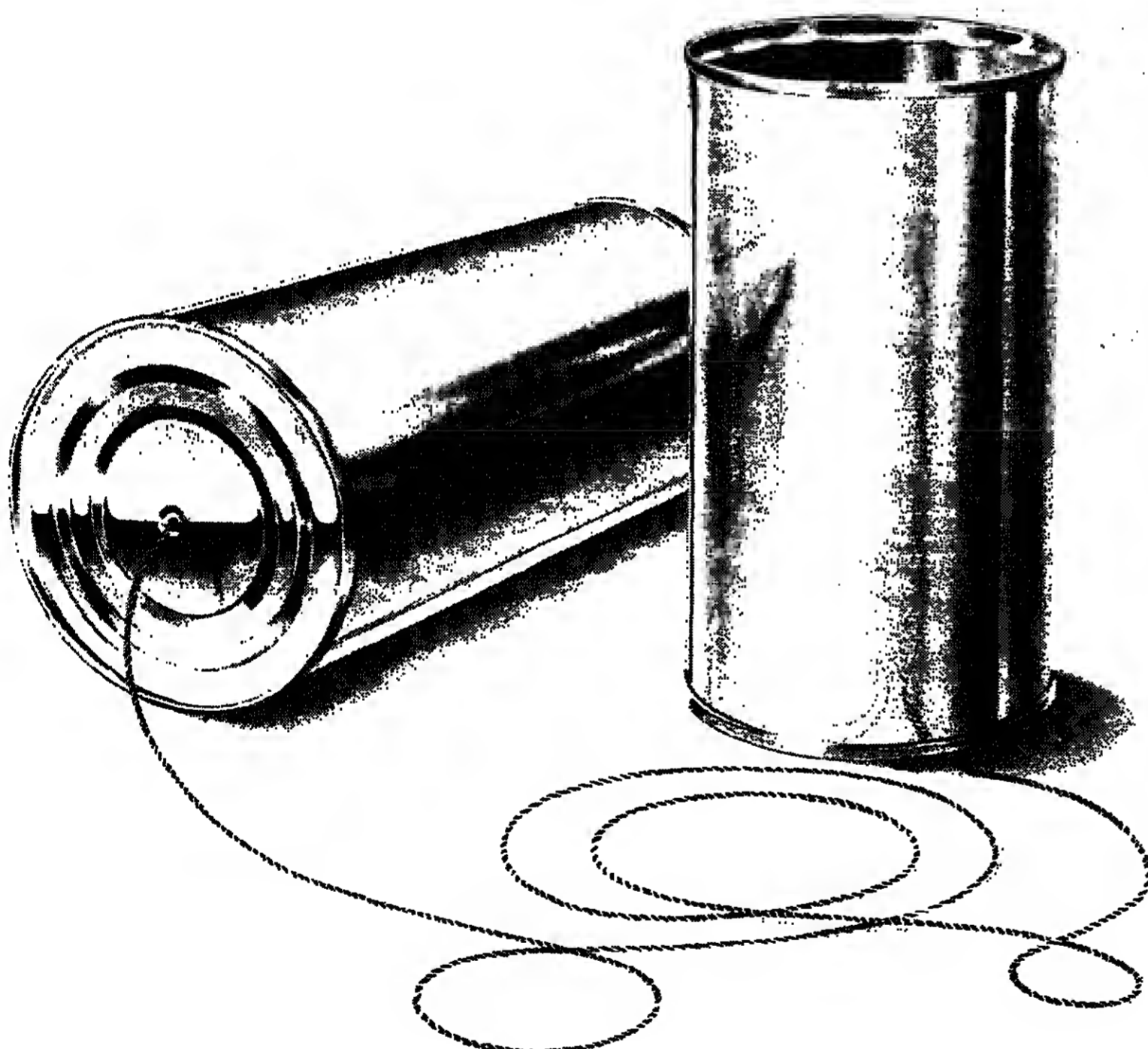
A breakthrough for the EC-impressing pan-community technical standards in digital cellular telephones where the control is over a band over the radio frequency spectrum allowed for application by the international telecommunications unions has given it some real power.

A large number of other telecommunications manufacturers and countries outside the EC is expected to follow.

Non-EC manufacturers have also begun to form alliances with EC counterparts to penetrate these markets.

The Japanese have tended to opt out of any major switching thrust in Europe to concentrate on facsimile, telephone handsets, mobile radio terminals, key-systems and small PABX systems.

JACK STOCKDALE is a senior analyst with the Telecommunications Industry Research Centre in Britain.



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Jeff ...

Telefónica Forging Key Joint Ventures In Global Markets

By Tom Burns

MADRID — It is not surprising that everybody likes Telefónica on the floor of the Bolsa, Madrid's stock exchange. Spain's national telecommunications company has been a consistent market maker for close to five years as the flagship of the country's business renaissance.

Telefónica, which is 31 percent owned by the state and is widely listed on the world's major stock exchanges, is also a favorite among foreign investors, for 22 percent of its capital is held outside Spain. The company is perceived to be innovative and aggressive and is a recognized key player in the fast-expanding Spanish economy.

Under the leadership of Luis Solana, a former Socialist member of the Cortes, or parliament, who was appointed Telefónica's chairman by the incoming administration of Prime Minister Felipe González at the end of 1982, the company has forged breakthrough joint ventures with the giants of world telecommunications.

Deals with American Telephone & Telegraph to build a \$200 million semiconductor plant outside Madrid and with Fujitsu for the assembly in Spain of medium-sized office computers and electronic data-processing equipment in the early days of Mr. Solana's stewardship of the company were landmarks in Spain's business environment and showed the shape of things to come.

Currently, attention is centered on a major investment plan announced last year by Telefónica, and subsequently reassessed and expanded, which highlights the company's ambitions. The fundraising program, covering bonds and commercial paper issues, has most recently included a rights issue on the Madrid Bolsa aimed at raising 75 billion pesetas (\$615 million).

Over the next five years, Telefónica will be involved in 1.8 billion pesetas worth of capital spending as it overhauls and modernizes Spain's telecommunications. The original investment plan, drawn up last year, envisaged 1.3 billion pesetas and was to last through to 1990. In its reassessment of its requirements, Telefónica extended the plan by a year and topped its outlay by 500 million pesetas.

Two factors lie behind Telefónica's growth. One, quite clearly, is demand. The other has to do with legislation that to a degree deregulates Spain's telecommunications and ends the company's 40-year-old monopoly of the sector.

The revised investment program was, in part, a response to a continuing demand for lines. Last year there was almost a 30 percent increase in the demand for lines and Telefónica's strategists believed that this would taper off considerably this year. In the past few months, however, demand has continued to increase at a 20 percent rate.

In particular, demand and modernization focuses on the cities of Barcelona and Seville, which will both be in the public eye in 1992. That year Barcelona, Spain's second largest city with a population in excess of three million, will hold the Summer Olympic Games and Seville, which has a population of more than 700,000, will commemorate the 500th anniversary of Columbus's voyage to the New World by hosting a six-month-long world fair.

The telecommunications infrastructure in both cities will be transformed before these events. The introduction of digital systems in Barcelona and Seville had been planned for the mid-1990s but the installation has been urgently brought forward as have been plans for cable television and satellite hookups.

Broadly, the market in Spain for data transmission and integrated communications is expanding faster than Telefónica had anticipated. This reflects the growing confidence of the business community and the overall growth of the Spanish economy. One Telefónica telecommunications venture to satisfy this demand concerns a videotex service, named *telex*, which the company hopes will have half a million subscribers by 1992.

The new legislation, a package of measures that comes under the umbrella of the Ley de Ordenación de Telecomunicaciones and which is known by its acronym OTI, drives wedges into Telefónica's monopoly but it reaffirms the company's status as the star of the sector in Spain.

Deregulation essentially opens markets and other equipment. This is in itself a potentially lucrative market. In the past months, there has been a 50 percent rise in the purchase of telephones, for example.

The future of terminals and other products will be the responsibility of the ministry and not of Telefónica as in the past. Telefónica, under the terms of the OTI, maintains its role as Spain's exclusive carrier of telecommunications.

Determined to remain the indisputable lead actor on the Spanish

telecommunications stage, Telefónica unveiled plans earlier this year to head a series of risk capital ventures to develop advanced technology. Two separate ventures have fueled considerable interest. One is an agreement in the United States with the California-based Electronic Data Systems (EDS) that will further develop and market Telefónica's packet switching system called TARSIS. It has already been successfully sold in Canada and in Argentina. The new venture is provisionally named Telecommunications Data Services.

The second initiative is a recently announced plan to build a telephone manufacturing plant, estimated to cost \$3 million, in the U.S. The joint venture with the Russians, in which Telefónica will have a 49 percent stake, aims to build sets that have been developed by the Spanish company and will be adapted to Soviet requirements.

Telefónica's financial requirements for its overall outlay in the coming years have, in the meantime, a secure base.

TOM BURNS is the editor of Spanish Trends, a Madrid-based monthly business report, and a contributor to Newsweek and The Washington Post.



London posters advertise sale of British Telecom which was heavily subscribed to after it was privatized.

For Privatized BT, a Public Outcry

By Brenda Maddox

LONDON — The British public, basking in its new ownership of half the shares in the country's national telecommunications system, may ask itself whether the pleasures of ownership outweigh the bad service.

British Telecom was privatized three years ago, that is, nearly 51 percent of the shares in the government-owned corporation were sold to private investors — at an attractively low price.

The public, including many who had never owned stock in a company before, snapped them up. The shares now sell at nearly three times their original value, a guarantee that a large outcry would greet any future socialist attempt at renationalization.

But BT's service has deteriorated and privatization is, rightly or wrongly, seen to be the reason.

Safe in the private sector, BT has little incentive, the public feels, to meet complaints of overcharging, broken telephone booths, slow repairs and late installations. Rate rises, too, have hit the private user hardest: Last year, there was a hefty 37 percent rise in the price of making a call in the morning peak hours, from 9 A.M. to 1 P.M.

Under the terms of privatization, there is little the public can do except moan. For most, there is no alternative. When the Thatcher government cut BT loose from state ownership, it permitted only one competitor, a new company, Mercury, owned by Cable and Wireless. Mercury has begun to offer a telephone service — and savings of at least 10 percent — but so far it has aimed primarily at business customers, who are BT's favorites, too.

Or who thought they were. One group of users in central London banded together to complain that its members had lost 20 percent of their business because of faults on BT lines. The group asked BT for a refund. When BT refused, it declared that its

members would switch en masse to Mercury in February.

BT seems slow to the point of indifference on installations, too. Applications for new telephone connections can take from six weeks to three months to be filled.

BT's regulator, OfTel, can only watch, scold and refer problems to the Monopolies and Mergers Commission. Yet, under its forceful director-general, Brian Carsberg, OfTel has been more of a nuisance than BT had expected. It has compelled BT to allow outside contractors to install internal telephone wiring and to change its accounting system to make cross-subsidization more detectable. OfTel also helped stop a deal between BT and IBM on value-added networks.

Last month, Mr. Carsberg criticized BT for the poor state of public telephone booths: 23 percent were out of order nationwide, with 38 percent in London, of which 17 percent of those checked remained unrepaired for three weeks or more.

To improve services, BT is hurrying toward the general introduction of its electronic telephone exchange, System X. In spite of cheery television advertisements boasting "It's you we answer," the signs of improvement are slow. BT is having to compensate for years and years of underinvestment. In 1982, the year before privatization, BT's investment per capita was only two-thirds that of France and just half of West Germany's.

Yet, electronic exchanges are essential for providing such service as an itemized telephone bill. BT promises that the itemized bill is on its way, a promise it has been making for years. Only two trial services are presently available, in Bristol and in the City of London.

Moreover, BT, with profits last year of £1 billion (\$3.45 billion), has given offense by placing an extra charge for "premium" maintenance — a telephone repaired within a day of going out of order. This charge hits emergency services. This month, BT sent the National Health Service a bill for £5 million for same-day repairs, a service the NHS, like everybody

else, previously enjoyed free. The TUA says selective repair "smells of monopoly abuse."

The recent intense criticism precipitated the retirement of Sir George Jefferson, BT's chairman, last month. But there was new outcry when he was replaced by his deputy, Iain Vallance, an old BT hand. Why did not BT acknowledge its need for a fresh approach by appointing somebody from an outside industry? Why is BT, with its solid profits, hoping to be released in 1989 from the pricing formula which keeps its rate increases 3 percent below the level of inflation?

The interests of shareholders (and the British Treasury's interest in raising cash from the sale) took precedence over creating a competitive environment.

Even so, a small start has been made in allowing more companies to compete with BT. Cable television systems have been given the right to offer two-way telecommunications services to their subscribers, but are not allowed to carry voice services.

Thus, BT will continue to enjoy its near monopoly. If Mercury continues to thrive, it will by 1990 still be taking in only £500 million worth of the national telecommunications traffic, which then will be turning over about £1.2 billion a year. And both companies are protected by government policy from new competitors offering "resale," a practice in which third parties rent telephone circuits in bulk and resell them at lower rates.

Next April, the Treasury hopes to sell off the remaining 49 percent of BT's shares. BT's financial prospects are bright: 10 percent growth in profits and 15 percent growth in earnings. The Treasury will not want to see anything done to darken them. The official concern is still to make BT a good buy rather than a good service.

BRENDA MADDOX is media columnist for the London Sunday Telegraph.

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The CNT is currently active in the major domestic and international financial markets for public bond issues and syndicated and non-syndicated bank loans. Throughout the year, the CNT issued commercial paper on the United States and Euro-markets.

The CNT has played an essential role in the investments of the Telecommunications branch of the French P et T since 1974.

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China on the Brink of an Information Revolution

Foreign suppliers scramble for world's largest undeveloped market.

By Ken Zita

NEW YORK — China is on the brink of another revolution — the information age — and foreign telecommunications suppliers are scrambling to gain entry into the world's largest undeveloped market.

Telephone service in China is archaic. The country has fewer than six million telephones for a population of 1.1 billion, or about one phone for every 200 citizens. In the countryside, the ratio is about one for every 540.

There are few private telephones. Instead, a local telephone company (often doubling as a bicycle garage or cigarette shop) may have two telephones for the neighborhood: runners go yelling for the called party, and messages are posted on public chalkboards.

The central government has identified telecommunications as a strategic priority, along with energy and transportation. Government planners believe that the so-called Open Door economic reforms, which are designed to stimulate economic growth through more liberal market policies and less government control, cannot be sustained without competitive financial and consumer markets.

Cultural and social modernization,

moreover, is linked closely with the mobility of information. Special investment incentives and experimental corporations have been established to accelerate sector development, making telecommunications one of China's darling industries.

Foreign corporations are eager to take part, even though the market is tiny by world standards. It was worth only about \$300 million in 1985. This compares to what each of the seven U.S. Regional Bell Holding Companies spends in six weeks.

The horizon isn't much more exciting. Only about \$20 billion to \$25 billion will be invested in telecommunication equipment to 2000, or about the value of the U.S. industry in 1987. By establishing a presence in the market, however, foreigners hope to earn "old friend" status — friendship that may come due next century, when China's economy is projected to boom.

Interest in the market is keen. Antiquated electromechanical switching exchanges dating to the 1920s will be superseded by digital systems, and fiber optics will replace uninsulated steel transmission wires.

China cannot build the technology on its own and is seeking imports, know-how and joint manufacturing agreements. But business is difficult. Foreign exchange reserves, as of June, total only \$12.6 billion, crimping free spending. In addition, the state bureaucracy is provincial; an absence of technical standards and inconsistent tariffs and arbitrary local regulations often bring ambitious programs to a halt.

Nevertheless, hundreds of suppliers are parading their wares in search of contracts. Private industry views China as the litmus test for Third World markets — crucial for the future as demand peaks in industrial nations. Exporting governments, anxious to score geopolitical points, are making available huge soft loans targeted at telecommunications exports in China.

Japan, which commands China's telecommunications imports, has made available \$145 million in credits to underwrite its companies. The effort is paying off. Fujitsu has more than 400,000 main

switching lines on order — more than twice as many as the nearest competitor. NEC is dominant in the PBX, fiber optics and microwave markets.

Japanese success can also be attributed to market saturation by the *soy sauce*, the big integrated trading companies. As one Western diplomat complained, Japanese telecommunications salesmen "can eat congee [rice porridge] anywhere. We can't." The loans have recently become useful for offsetting the yen's recent appreciation.

France has made available nearly \$194 million, on the terms of 30-year payback, 2.5 percent interest and 10-year grace period. With Alcatel's acquisition of ITT's telecommunications subsidiaries, the French inherited a 30 percent stake in the Shanghai Bell Telephone Equipment Manufacturing Co., the only manufacturing facility for digital switching systems in the country. Alcatel also has a contract for 100,000 lines of its E-10 central office exchange in Beijing, but like many suppliers, it has encountered

Doing Business With China

Some governments are underwriting participation in China's growing market for telecommunications systems.

Country	Loans	Amounts	Terms	Main Corporations
FRANCE	YES	\$194 mil.	2.5%, 30 yrs.	Alcatel, Aerospatiale, TRT
JAPAN	YES	\$145 mil.	3.25%, 30 yrs.	Fujitsu, Hitachi, KDD, OKI, NEC
SWEDEN	YES	\$ 39 mil.	OECD standard	Ericsson
U.K.	YES	\$ 48 mil.	5.0%, 15 yrs.	Cable & Wireless, GEC Plessey, STC
CANADA	YES	\$ 300 mil.	OECD standard	Northern Telecom, Spar
USA	NO	0	n/a	ATT&T, GTE, IBM, Sci. Atlanta, Motorola
GERMANY	NO	0	n/a	MBB, Siemens, SEL

Source: Tetra International.

technical difficulties in getting it installed.

Sweden has contributed strongly to making Ericsson the switching market leader. Government spending packages are small but effective; nearly all big sales make use of the funds.

Britain, a recent addition to the trade subsidy roster, has put about £30 million (\$48 million) to help STC and Plessey take part in a manufacturing venture for network and optical transmission equipment in Shanghai.

Cable & Wireless plc, a prominent figure in Chinese telecommunications, hasn't needed any funds. It owns the lucrative Hong Kong Telephone Company (until 1995, two years before the colony reverts to mainland control) and manages a telephone company in the nearby special economic zone of Shenzhen.

Canada, another recent player, has made available a line of credit worth about \$300 million for all industries. Northern Telecom has had a few sales,

and Spar Aerospace is manufacturing a satellite earth station with the Chinese Ministry of Electronics.

The United States and West Germany, home to the telecommunications giants AT&T and Siemens, among scores of small but sophisticated firms, prefer a laissez-faire approach. Neither has a trade-aid program. The United States earned 15 percent of the 1985 market; West Germany, 5.1 percent; industry sources place at least some blame for the relatively poor showings on the absence of government financing.

However, AT&T has signed big contracts in Beijing, and both AT&T and Siemens are in competition for a proposed switching and semiconductor agreement. Negotiations hinge on the level of technology to be transferred, and guarantees for profit repatriation.

Almost every telecommunications exporting nation has an interest in China — among them Australia, Belgium, Hungary, Italy, Netherlands, Norway, Spain, Switzerland, Yugoslavia, not to mention "back door" sales from Taiwan.

One of the big stumbling blocks to the market comes from COCOM — NATO's Coordinating Committee for Multinational Export Controls. The West, taking cues from the Pentagon, prevents high-speed network equipment, fiber optics electronics and many other technologies from being shipped.

COCOM doesn't want to improve China's launch or military command and control capabilities, or interfere with friendly foreign spies' electronic eavesdropping. Export restrictions on telecommunications equipment and software are violated, but never with the same fanfare as Toshiba's shipment of propeller machine tools to the Soviet Union.

KEEN ZITA is president of Tetra International, a telecommunications research firm. He is the author of "Modernizing China's Telecommunications." (The Economist Publications, 1987).

Foreign Firms Hurdle a Few Japanese Barriers

By Stuart Auerbach

WASHINGTON — A new contract awarded by Nippon Telegraph and Telephone Corp. to Data General Corp., the Massachusetts-based computer and communications firm, represents what American negotiators had hoped would result from a tortuous series of negotiations to give foreign companies an even break in competing for business in Ja-

pan's booming telecommunications market.

For one of the first times, NTT, Japan's premier telecommunications company, had allowed an American firm in on the ground floor to help design and build major new equipment for sale to Japanese business.

The contract for a new generation high-speed integrated communications system was highly praised by Reagan administration trade officials as "an encouraging

sign" that Japan was finally beginning to open up its telecommunications market.

The contract was worth about \$140 million when NTT offered the system — which will allow switching on phone, data and image transmission both between and within offices on one network — when NTT offers it for sale in the spring of 1989. Data General will market it elsewhere in the world shortly after.

The assistant U.S. trade representative, Douglas Newkirk, said the purchase shows that NTT is improving its compliance with a seven-year-old agreement to buy more high technology products from American companies.

NTT purchases literally started from zero. In the first years of the agreement, the Japanese company, then a government monopoly but now in the process of shifting to private ownership in a more competitive marketplace, scrambled to buy telephone poles and waste paper for directories so it could show some U.S. purchases on its books.

By 1986, though, its purchases had climbed to \$229 million, all in high technology products. Since 1981, NTT says, its U.S. purchases have totaled more than \$1 billion.

"This is still not enough. NTT needs to purchase more from the United States," said Mr. Newkirk. The Reagan administration had targeted the Japanese telecommunications market, the second

largest in the world behind the United States, for concentrated action because of a view in Washington that American products were competitive if Japan would just allow them in.

But U.S. trade negotiators were fighting a combination of national

standards that were different from those in the rest of the world: an entrenched bureaucracy in NTT and in the Ministry of Post and Telegraph that resists dealing with non-Japanese companies, and close ties within Japanese companies serving the communications industry.

In January 1985, President Ronald Reagan and Prime Minister Yasuhiro Nakasone gave special emphasis to Japanese telecommunications purchases in a high-level series of trade talks designed to end Japan's barriers to foreign products.

The talks were run under a tight deadline since NTT was due to go private in April, and the United States wanted to make sure that new laws passed as part of that change would encourage openness.

Although the talks were labeled a success by Secretary of State George P. Shultz, American companies still report meeting with bureaucratic barriers and a resistance from Japanese purchasers.

Motorola Corp., for example, was barred for years from marketing its world-class portable telephone and pagers in Japan. Now, it has about 25 percent of the pager sales in Japan, more than its closest competitors, and company officials said that that never would have happened without the help of the U.S. government.

But Japan blocked Motorola from taking a dominant position in the country's pager service business, instead giving the prime Tokyo market to a consortium of Japanese companies, headed by Toyota, with little experience in telecommunications.

"We were snookered down to 9 or 10 percent of the pager service business," said Robert W. Galvin, chairman of the board of Motorola.

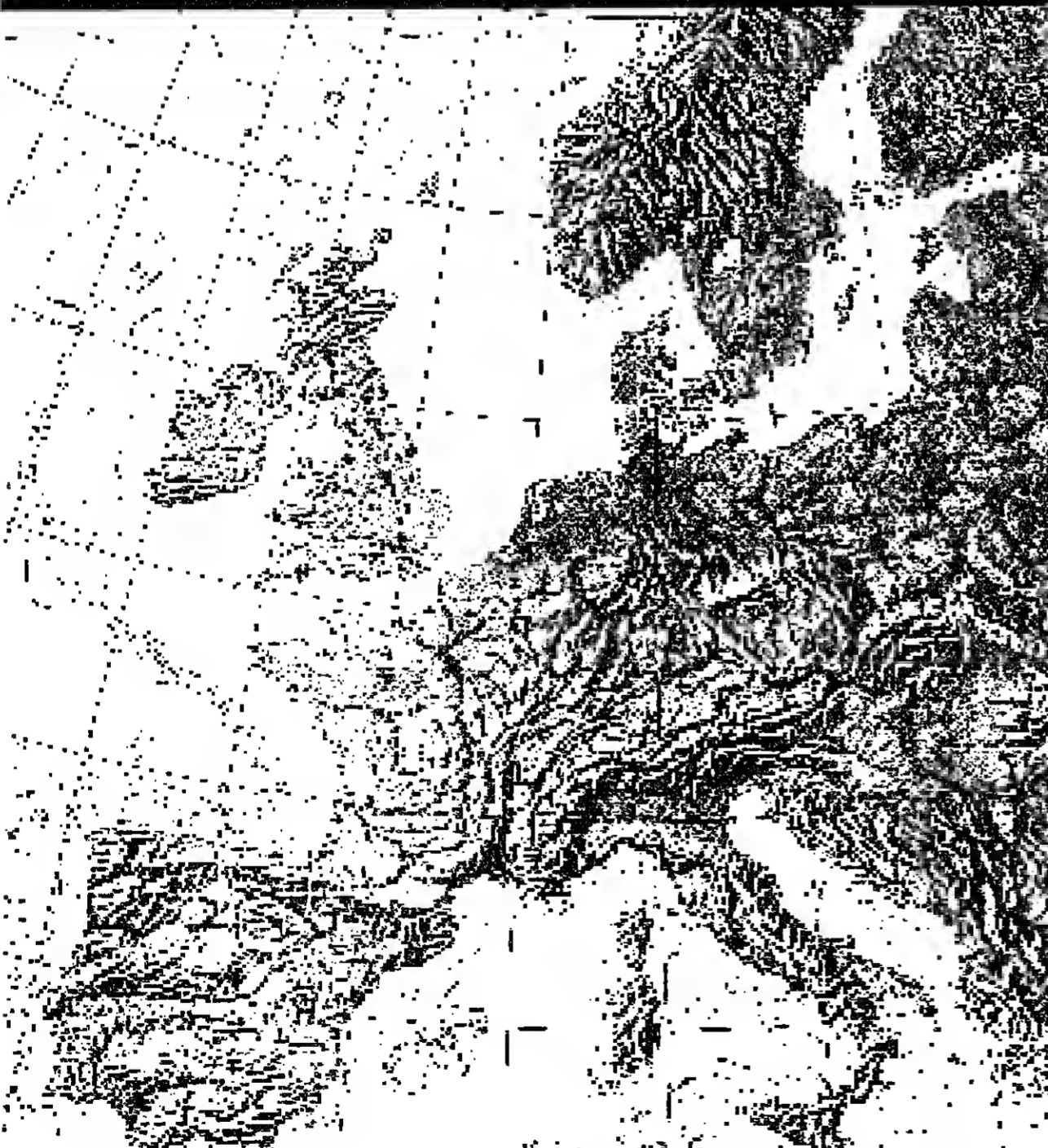
Similarly, a British telecommunications group that included American companies faced moves by Japanese competitors blocking it from operating international telecommunications service in Japan. The proposal included laying a new trans-Pacific cable to the United States, where American companies would take over.

The Japanese government allowed the British group, headed by Cable and Wireless, to apply



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The Japanese government allowed the British group, headed by Cable and Wireless, to apply

for a license last month, but only after a yearlong battle that included strong protests from Prime Minister Margaret Thatcher and the Reagan administration.

NTT, the industry giant, has changed the most under the leadership of its president, Hisashi Shinto. Mr. Newkirk said, although American companies still meet with resistance from lower-level bureaucrats.

Overall, however, former Commerce Undersecretary Lionel Olmer, who took the lead in the telecommunications negotiations, said "the results are disappointing." Mr. Olmer is a lawyer in private practice who serves as an adviser to Mr. Shinto.

Clyde Prestowitz, another senior U.S. negotiator on telecommunications, called the results of the talks "better than nothing, but not by much."

"We are selling telecommunications and services that we could not have sold if we did not have the agreement. But we are not selling nearly enough," he said.

According to Commerce Department figures, which differ slightly from other assessments because they cover different categories of products, Japan bought \$140 million in telecommunications equipment from the United States last year, up from \$54 million in 1982. The rise has been steady but slow, jumping to \$65 million in 1983, \$74 million in 1984 and \$106 million in 1985.

All this has taken place under constant administration and congressional pressure, and the Control Data announcement this month was made in Washington in an effort to deflect trade legislation from hitting at the slow pace of Japanese telecommunications sales.

Industry sources noted a decline over the past three years in the number of U.S. companies actively trying to sell telecommunications products in Japan. This is due to a widespread perception that, despite the changes in Japanese laws, they still can't sell in that country because of a network of private and public barriers.

STUART AUERBACH is a Washington Post staff writer who covers international trade.

Singap

Its small size have made it to build an a telecommuni bigger neigh

By Michael Rich

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Hawke

By David Fox Allen

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Continued from page 1

...the world's largest telecommunications companies. With sales of around 2,000 million Swiss francs and employees numbering 14,000, it is a corporation of European dimensions. Ascom develops and manufactures market-oriented products in Switzerland, Germany, France, Great Britain, Italy, Austria and Sweden, and sells them through its international organizations in European and other United States. We look forward to meeting you in the Swiss Pavilion at Telecom '87, Geneva.

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Singapore Betting on an Expanded Role

Its small size and compact population have made it easier, quicker and cheaper to build an advanced telecommunications network than in bigger neighboring countries.

By Michael Richardson

SINGAPORE — Turning its small size to advantage and using its geographical location as a maritime gateway between the Pacific and Indian oceans, Singapore has systematically developed its position as a regional and international telecommunications hub over the last two decades.

When the first satellite earth station was commissioned in 1971, Singapore had 25 satellite circuits providing links to five countries. By the time a second earth station was officially opened last May, the system had 1,200 circuits linked directly to 50 countries.

Singapore, an island-state with a population of only 2.6 million, ranks as the world's 13th largest investor in Intelnet, the 113-member organization that owns and operates the global

satellite system for civil and commercial communications. Singapore is also the sixth biggest investor in Inmarsat, the International Maritime Satellite Organization.

The government through the state-owned Telecommunications Authority of Singapore, has pumped extensive amounts of money and skilled manpower into the construction of a reliable and modern telecommunications infrastructure.

In addition to the satellite channels, six international submarine cable connections out of Singapore provide alternative all-weather links with many countries, carrying IDD (international direct dialing) calls to more than 160 destinations.

Analysts point out that Singapore's small size and compact population have made it easier, quicker and cheaper to build an advanced telecommunications network than in

bigger and more populous neighboring countries, such as Indonesia, where satellites play a key role in drawing together more than 13,000 islands in a widely scattered archipelago.

Nonetheless, Singapore's telecommunications program has been impressive. With over 1.1 million telephones in its push-button system, the island-state's ratio of 43 telephones per 100 people comes close to the 50 per 100 figure for West Germany and Britain.

Singapore officials have said that the telecommunications budget over the next five years will amount to about \$1.5 billion. Much of it will be spent on improved and expanded services for corporate and individual subscribers.

Yeo Ning Hong, the minister of communications and information, is sure the heavy investments in telecommunications will pay handsome dividends. "National economies, international trade and commerce are today totally dependent on the network of telecommunication linkages which interlace the globe," he said.

More than 240 international banks, 140 other financial institutions, more than 600 multinational corporations and a host of other companies relying on rapid data exchange, including computer-processed information, have set up office in Singapore.

The government believes that offering dependable and relatively cheap telecommunications is an important means of enhancing the competitiveness of Singapore-based businesses and attracting new investment, including high-technology ventures and multinationals wanting to set up regional headquarters.

The Swedish electrical giant, Ericsson,

moved its regional headquarters from Bangkok to Singapore partly because it was attracted by better communications. Other companies, among them Data General, the U.S. computer manufacturer, have also cited Singapore's advanced telecommunications as one of the factors for establishing or enlarging their operations here.

Company executives have noted with approval that many of Singapore's telecommunications charges, including those for IDD calls, telex, telefax, data leased circuits and a service known as Telepac that gives access to overseas corporate computers and data bases, are among the lowest in the world. Most of these charges have been reduced several times in the last few years.

In August, the Telecommunications Authority offered subscribers a new range of wide-band digital data leased circuits via Intelnet. These can, for example, be used for transmission of motion pictures or large volume information transfers for printing of newspapers.

Singapore has invested about \$191 million in all-weather international undersea cable connections. These provide global links. The South East Asia-Middle East-Western Europe cable system was inaugurated in September 1986. Stretching for 8,000 miles (13,000 kilometers), it connects Seyne, France; Palermo, Sicily; Alexandria and Suez in Egypt; Jeddah; Djibouti; Colombo, Sri Lanka; Medan, Indonesia; and Singapore. In October, 1986, a new Australia-Indonesia-Singapore submarine cable system was opened.

The oil-rich sultanate of Brunei is the only close neighbor that is not connected to Singapore by an underwater telecommunications



The Sentosa satellite earth station on the outskirts of Singapore.

cable. That will change in 1990 when the two countries are to be linked by the first international optical fiber cable in Southeast Asia.

These fibers of special glass transmit pulses of light and can carry much more information than conventional copper wires used in both land and submarine telecommunication cables.

Alan Wong, manager of the Telecommunications Authority's submarine cable systems, said that the authority would buy circuits in a trans-Pacific optical fiber cable that will link the United States with Japan via Hawaii and Guam when it is completed in December 1988.

Mr. Wong said that Singapore would invest in an optical fiber undersea cable that will run

from Singapore to Hong Kong, South Korea and Japan by mid-1990.

The first phase of an optical fiber network within Singapore, covering 15 telephone exchanges, was completed in 1984. The second phase, linking the remaining 11 exchanges, was finished in July. Officials said that by 1989 about 7,400 miles (12,000 kilometers) of optical fibers would crisscross Singapore, providing the basis for a wide range of sophisticated voice, video and data services.

MICHAEL RICHARDSON is the Southeast Asia correspondent for the International Herald Tribune and is based in Singapore.

Hawke Tackles Monopoly

By Laurel Fox Allen

SYDNEY — Prime Minister Bob Hawke, who won an unprecedented third term of office in elections in July, is spearheading a drive for deregulation and privatization in Australia in an effort to revive and restructure the country's economy.

Chief among the candidates for deregulation is Australia's largest enterprise, Telecom Australia.

In a September 1986 report, the Economic Planning Advisory Council (EPAC), which was chaired by Mr. Hawke, selected transportation and communications as the two industries ripe for deregulation.

EPAC noted that technological change had brought diversity and opportunity to the telecommunications industry, and, it argued, Telecom Australia no longer had a natural monopoly, that is one where only one supplier would survive if the market were fully open to competition. It concluded that its monopoly should no longer be protected.

The EPAC analysis found wide support among communications users. The Australian Telecommunications Users Group, a lobby group for big business and business communications users, and the vendor group, the Australian Information Industries Association, have pushed for change and an end to Telecom's monopoly.

Private industry wants the removal of telecommunications regulation power from Telecom Aus-

tralia and the formation of an independent regulator. It also wants the regulator to limit Telecom's powers by drawing a line between basic communications services and what is value-added to the infrastructure.

Telecom Australia has promoted the idea that Australia, a set of coastal cities held together by a giant desert center, suffers from

Private industry has pushed for change.

the "tyranny of distance" and that this is reason enough to remain a monopoly. But commercial companies argue that monopoly, not distance, creates tyranny.

Although Telecom Australia has said that it wants change, it primarily wants change that will allow it to compete with private enterprise. It says, however, that until legislation is changed, it will continue to use its powers as it sees fit.

Its 17 telecommunications industry unions, and especially the biggest union, the Australian Telecommunications Employees' Association, however, have threatened to derail Telecom Australia

by stopping cash flow by restricting computer use.

The unions believe that Telecom must remain a monopoly in order to protect the jobs of their workers and to hold back the erosive effects of market forces on universal telecommunications services.

For 13 years, Telecom supported this view. However, in August, Mel Ward, its managing director, did an about-face. He said that since Australia's basic telecommunications services were established, Telecom Australia would now "go commercial."

Meanwhile, Gareth Evans, head of the new Department of Transport and Communications, the super-ministry formed by the merger of the communications, transport and aviation departments shortly after the Labor government won re-election, formed a "communications task force." Its report, expected late this year or early next year, will undoubtedly mean a major rethinking of legislation that defines the regulatory machinery of communications and broadcasting in Australia.

Mr. Evans, who is sometimes referred to as the "minister of privatization," has already developed an auction system for new radio licenses and ended the two-airline control of domestic aviation.

LAUREL FOX ALLEN is director of the Computer and Telecommunications newsletter based in Sydney.

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MOTOROLA A World Leader in Electronics

Third World Forging 'Missing Link'

Continued from page 1

followed was an intensive campaign of education and persuasion.

The first major event was the World Telecommunications Development Conference in Arusha, Tanzania, in May 1985, attended by delegations from 93 countries and from international and regional organizations.

The Arusha declaration endorsed the general thrust of the commission's report and many of its specific recommendations. The conference acknowledged the need for developing countries to accord sufficient high priority to the telecommunications sector for the "expansion, upgrading and modernization of their networks" — precisely what the commission had advocated.

"The Missing Link" featured on the agenda of other conferences as far afield as Tokyo, Nassau in the Bahamas, and Edinburgh. Meanwhile, the international agencies principally concerned were being briefed.

The most spectacular event of 1986 was the World Telecommunications Forum and the associated exhibition Africa Telecom 86 in Nairobi in September. The theme of the forum — the first to be held in Africa — was "Bridging the Missing Link."

The success of the campaign to increase awareness of the role of telecommunications in development was evident at Nairobi. Speaker after speaker from developing countries described how they were addressing their particular problems. That investment in telecommunications was an integral part of development was taken as read.

Ministers and directors had other preoccupations — over training, choice of technology, obstacles to regional collaboration. Any apprehensions expressed arose not so much from problems of developing existing systems but rather from fear that a new telecommunications gap could open up as industrialized countries introduced ever more sophisticated equipment in their advance toward the "information society."

Sitting in the Kenyatta Conference Center, I was struck by the change in perception since the

Arusha declaration little over a year earlier. The message had indeed been received loud and clear. And not only in developing countries. The participation of some 80 equipment manufacturers and operators in Africa Telecom 86 showed that the market opportunities created by the new awareness in many developing countries were appreciated. It was encouraging, moreover, that so much of the equipment on display was relevant to African conditions.

How does the balance sheet look today — nearly three years after "The Missing Link" was published?

The commission did not expect results overnight. Investment decisions are never easy. Telecommunications have formidable opponents among those who hold the purse strings and approve national plans. Operators and manufacturers from industrialized countries approach new ventures with caution. So progress will be uneven and unspectacular.

Nonetheless when, step by step, Zimbabwe brings telephones to its remote areas; when the Caribbean operators strengthen their cooperation over training and technology; when China elevates telecommunications to the top rank of sectors for investment; when India embarks on ambitious projects to upgrade the systems in the major cities; when this story is repeated in the Middle East, Latin America and elsewhere; and when, above all, mutually acceptable financial deals are made, then one can only conclude that the world telecommunications situation is improving — slowly.

Not is there reason to suppose that insurmountable political, technological or financial obstacles stand in the way. A Canadian initiative deserves mention. The commission identified scarcity of trained managers as a major handicap and invited operators and manufacturers to offer more training opportunities.

In September 1986, the Telecommunications Executive Management Institute of Canada (TEMIC) — a joint undertaking by the private sector and the Canadian government — was launched. This institute, which offers courses for telecommunications managers

from developing countries, is a specific response to recommendations in the "Missing Link."

One of the commission's main recommendations was addressed to the ITU. We invited the administrative council when it met in July 1985 to establish a Center for Telecommunications Development as a matter of urgency.

This proposal was inspired by the strong desire of developing countries for disinterested advice on the whole range of issues involved in improving and expanding their networks. The commission believed that such an entity could not only offer this advice but also act as missionary in the cause of higher priority for telecommunications. We conceived the center as a novel partnership between governments, operators and the private sector, which would reflect both the comfortable and the uncomfortable realities of today.

How has this proposal fared? In July 1985, the administrative council passed a resolution establishing a center and prescribing in detail how this should be done. The advisory board met for the first time in November 1985. Ten months later — in September 1986 — the executive director and his deputy were appointed. In April of this year, the executive directorate submitted its action plan and budget.

The center is now off the ground. But, sadly it has failed to attract adequate support. If prospects do not improve, the next plenipotentiary conference of the ITU might usefully consider whether the administrative council's prescription for the center should be amended so that it will be better able to attract support and discharge the important tasks the commission had in mind.

Members of the independent commission should feel generally satisfied with the response so far to "The Missing Link." Higher priority is being given to investment in telecommunications. Networks are being improved and expanded. Finance is no longer seen as the main obstacle to progress. These trends must be encouraged and sustained. And it is to be hoped that before too long the center will be able to wield effective influence.

دعواتنا لاجل

Expansion in Developing Nations

Cost — Biggest Hurdle Facing Have-Nots

The entire African continent with its 500 million people has fewer telephones than Tokyo.

By Robert Bailey

LONDON — The divide between telecommunications haves and have-nots may appear to be lessening at this year's International Telecommunication Union exhibition in Geneva as Third World countries as well as industrialized nations and major international companies vie to draw attention to their achievements, products and aspirations.

Substantial growth has certainly occurred in telecommunications infrastructure throughout the world since the last ITU exhibition four years ago. There is, however, still a huge disparity in the amount of telecommunications services and in their quality between industrialized countries and the developing world.

Most of the world's population lives in countries with less than 10 million telephones among them compared to a worldwide total of 600 million telephones. Indeed, two-thirds of the world's population has no access at all to telephone services.

The entire African continent with its 500 million people has fewer telephones than Tokyo.

The ITU's independent commission for worldwide telecommunications development reported in 1985 that, while developing countries account for 20 percent of the world's gross domestic product, they possess only 12 percent of the telephones. The disparity is even more marked in low-income developing countries which account for 5 percent of the world's gross domestic product though their share of the world's telephones amounts only to 1.3 percent.

Bangladesh with a population of 90 million had only 160,000 telephones in 1983, equivalent to a ratio of 0.18 per 100 people. Ethiopia with its 34 million population had just 0.31 telephones per 100 people. On average, telephone densities in less developed countries are 0.2 per 100 of population compared to 70 per 100 in Brussels or 92 per 100 in Los Angeles.

The independent commission, comprised of 17 members of different nationalities, was set up following a plenipotentiary meeting of the ITU in Nairobi in 1982 and asked to recommend ways to stimulate the expansion of telecommunications in the developing world.

Its report three years later concluded "in most developing countries the telecommunications system is not adequate even to sustain essential services. In many areas there is no system at all. Neither in the name of common humanity nor on grounds of common interest is such a disparity acceptable."

The commission added, "We believe that by the early part of the next century virtually the whole of mankind should be brought within easy reach of a telephone and, in due course, the other services that telecommunications can provide."

By the year 2000 various national plans suggest the possibility of growing from the average of 0.2 telephones per 100 persons in less developed countries to an average of 1 per 100. While statistically a small increase, such an advance would dwarf what has already been achieved in the poorer countries of the developing world.

Meeting the cost will be the biggest hurdle. The PTT adminis-



A radar station in Eritrea, Ethiopia, is helping to bring telecommunications to rural population.

The greater a country's population, the bigger the investment required. Uganda with about 14 million people would like to see a tenfold increase in its number of telephones. From 62,000 to 680,000, an increase from 0.45 per 100 to 3.1 per 100 of population. This would necessitate a \$600 million to \$1 billion investment. Sudan with its 20 million population envisages a total \$895 million investment to bring about a fivefold increase in its present 70,000 telephones.

Regional cooperation as well as project development in individual countries is also highly important to the expansion of telecommunications and the raising of standards. Until the end of World War II, most of today's 50 African states were controlled by colonial administrations. Few telecommunication services outside the main government centers existed and what intra-African telecommunication traffic there was was routed through transit centers in Europe.

Developing international links as well as an onerous, slow moving task due to the almost complete absence of skilled staff at all levels, lack of finance and of equipment relevant to the topographical and climatic conditions of Africa.

In 1962, the idea of a continental network was conceived. The resulting Pan-African Telecommunication (Panafel) network has progressed beyond establishing the backbone of an Africa regional network into an ongoing project that is helping to stimulate development of national networks.

The Panafel network now includes six domestic satellite communication systems operating 64 earth stations, about 3,200 kilometers (1,975 miles) of coaxial multichannel hand cables, 5,000 kilometers of submarine cables and eight troposcatter radio relay systems with a total route length of 4,000 kilometers and 26 microwave systems linking various national centers over a length of 20,000 kilometers.

The longest microwave link in the world without repeater stations connects Africa with the Arabian peninsula 370 kilometers across the Red Sea.

In the long term, indigenous manufacture of telecommunications equipment including digital exchanges is likely to be a feature of procurement in the developing world. Production of older electromechanical exchanges already exists in some countries such as Iran.

Turkey has established digital exchange production based on joint ventures with Belgium's Bell Manufacturing Company and Canada's Northern Telecom. By the end of this year, it aims to have provided a telephone link to each of its 36,000 rural communities.

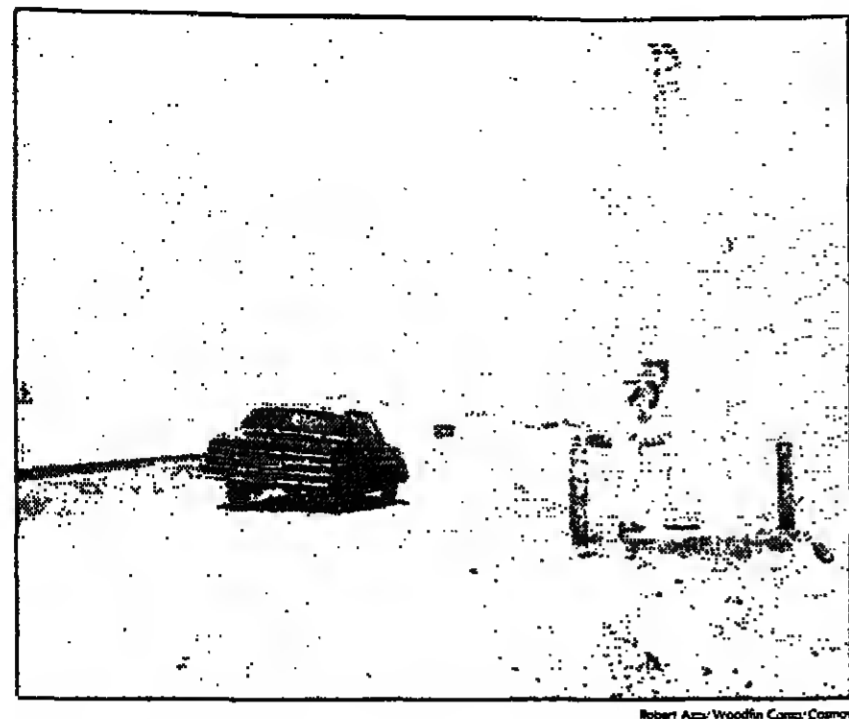
Algeria signed an agreement with Sweden's Ericsson in March to establish a joint venture to produce digital exchange equipment at Tlemcen, west of Algiers. Egypt is currently negotiating with Ericsson and West Germany's Siemens on establishing a similar facility to produce 300,000 lines of digital switching equipment a year.

Saudi Arabia also has plans to produce telephone exchange equipment through an offset agreement with the U.S. Boeing Industrial Technology Group. Morocco has recently told companies bidding to supply about 600,000 of exchange capacity that two-thirds must be produced locally.

Moves toward local assembly and production would benefit from cooperation on a regional basis. At the end of last year, a study by British Telecom estimated that the Arab world's demand for digital equipment would reach 1.2 million lines by 1990. It added that a demand for 250,000 lines a year was the minimum needed by individual countries to make domestic production viable.

As a result, the study commissioned by the Arab Industrial Investment Company recommended the setting up of just one or two factories to serve the whole region. Their location would be selected on objective economic criteria. Whether such a development is possible raises many questions, not least the availability of finance and the thorny issue of control in a region yet to overcome intense rivalries even in the interest of collective technological progress.

ROBERT BAILEY is the special reports editor of the London-based Middle East Economic Digest.



A solar-powered telephone in Saudi Arabian desert provides emergency link for motorists.

Gulf States Install Extensive Networks

LONDON — The Arab countries like Africa and other parts of the developing world have also had to try to advance from a very low base level. In the last decade, they have achieved spectacular national and regional results.

In less than 10 years, Saudi Arabia has installed one of the most modern telephone systems in the developing world. Telephone lines were increased from 130,000 lines in 1978 to 1.2 million by the end of 1985. This has necessitated the installation of a complete transmission as well as exchange infrastructure in the country.

Facilities include a 15,000-kilometer (9,000-mile) microwave network, 5,000 kilometers of coaxial and optical fiber cable and seven satellite earth stations for domestic, international and maritime communication services.

The rapid development of telecommunications has been paralleled in other Gulf oil-producing countries. Bahrain has an expanding mobile telephone system and last year introduced a radio paging service. Mobile car and paging communication systems are also being developed in Kuwait, while pay telephones are becoming increasingly common in the region.

The region has also seen a vast increase in links with the rest of the world. More than 90 percent of Saudi telephone subscribers can dial direct to 160 countries and an estimated five million international calls are being made each month from Saudi Arabia.

The kingdom has an important role in the region's telecommunications and provides a

significant part of the Southeast Asia-Middle East-Western Europe cable route.

Other regional developments have included the Middle East and Mediterranean Telecommunication Network (Medarantel) project to coordinate network developments in North Africa, the Horn of Africa, Arab countries and the Balkans, including Turkey and Greece.

The services developed in individual countries, including radio, cable and satellite links, have evolved into a comprehensive regional infrastructure. In the Arab countries alone, telephone lines increased from 1.8 million to 5.5 million in the 10 years to 1982.

The most assertive move toward regional cooperation in the developing world has been the Arab Satellite Communications Organization's investment in a two-satellite communications system that was put into orbit in 1984. One satellite was launched by a European Ariane rocket and the other by the U.S. space shuttle.

Since then ground links and use of the system, which is designed to provide intraregional telephone, data and broadcasting services, have been slow to develop. Of 8,000 available circuits, only 1,430 were in use by the end of this summer. Nevertheless, the system shows the telecommunications advances that can be achieved in the developing world.

Iran's PTT minister said this year that his country is designing its own telecommunications satellites that are to be launched by China in the early 1990s.

Robert Bailey

APT DIGITIZES THE DUTCH TELEPHONE NETWORK.

Telecommunications technology is changing more rapidly than ever before. In The Netherlands, the Dutch PTT is responding to this challenge by investing heavily in the future.

They commissioned AT&T and Philips Telecommunications (APT) to supply a number of digital systems to handle the greater part of the expanding volume of traffic between regional centres.

APT is also main supplier of subscriber exchanges to extend and replace existing telephone exchanges and advanced optical transmission systems for the entire network. When completed, this project will enable new telecommunication services to be brought onto the market.

APT's digitization of the Dutch telephone system is just one of our current projects.

We are also currently active in providing Saudi Arabia with one of

the world's most advanced national telecommunications systems. In the UK we are installing an Advanced Freephone network providing toll-free calling. APT is also upgrading the strategic transmission links for the entire Indian subcontinent and supplying various optical projects in China. These are just a few examples of our current major projects.

APT is one of the very few companies in the world with the capacity, creativity and resources to handle such projects on a turnkey basis both now and well into the 21st Century.

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TUESDAY, OCTOBER 20, 1987

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WALL STREET WATCH

Military Contractors Find It Hard to Defend Earnings

NEW YORK — American military contractors should report generally lower third-quarter earnings because flat military spending by the government is holding back outlays for weapons programs, analysts said.

Flat defense spending by the U.S. government is holding back outlays for weapons.

Military suppliers with commercial businesses will have mixed results in these areas this quarter, analysts said. The military electronics concerns that build radar, communications and surveillance equipment should perform slightly better, they said.

Earnings at McDonnell Douglas Corp. will be \$1.90 to \$2.45 a share, analysts predicted. That would be up from \$1.05 last year, which included a pre-tax charge of \$83 million on the F-18 Canadian fighter plane program.

Lockheed Corp. last week reported earnings of \$1.52 a share, below some analysts' estimates and off from last year's \$1.74 a share. The company cited a \$9 million net charge for discontinued shipbuilding operations and higher interest expense.

Koreans Expect Big Surplus

SEOUL — South Korea's national news agency predicted Monday that the current account surplus would grow to nearly \$10 billion this year amid signs of persistent world demand for the country's cars and electronic goods.

Yonhap said the January-September surplus in the current account was \$7.03 billion. The current account covers trade in merchandise and services such as banking and insurance.

The figure would exceed a \$7 billion ceiling for all of 1987 set by the government during June talks with the International Monetary Fund aimed at averting too rapid an appreciation of Korea's currency, the won, against the dollar.

The sharp rise in the September surplus came from a resumption of export deliveries after delays caused by a wave of strikes the previous month.

Rare Spot Divides Pöhl, Stoltenberg

But Bankers Say Tax Dispute Will Soon Die Down



Economic pressures are likely to force Gerhard Stoltenberg, left, and Karl Otto Pöhl to patch up differences.

FRANKFURT — Karl Otto Pöhl, head of West Germany's central bank, and Finance Minister Gerhard Stoltenberg are normally so much in agreement that some foreigners have doubted the central bank's independence.

But a rare public dispute between Mr. Pöhl, president of the Bundesbank, and Mr. Stoltenberg over a proposed withholding tax on investment income has added to the problems of the country's already nervous financial markets, bankers say.

Mr. Pöhl said at an investment symposium in Frankfurt on Thursday that he feared that the tax would raise borrowing costs and interest rates.

Mr. Stoltenberg quickly rebutted Mr. Pöhl's criticism, saying that West Germany would remain an attractive place for foreign investors.

Bankers here expressed confidence that the two top financial policy makers would quickly patch up their relationship to steer the economy through a particularly difficult time.

Currency Rates

Table with columns for Currency, Bid, Ask, and other rates.

Other Dollar Values

Table with columns for Currency, Bid, Ask, and other values.

Interest Rates

Table with columns for Term, Rate, and other interest rate data.

Key Money Rates

Table with columns for Instrument, Rate, and other key money rates.

Asian Dollar Deposits

Table with columns for Term, Rate, and other Asian dollar deposit rates.

U.S. Money Market Funds

Table with columns for Fund Name, Assets, and other money market fund data.

BP Shares Fall Below Set Price

LONDON — British Petroleum Co. shares fell to 315 pence, below the 330 pence price set for the government's \$7.2 billion (\$12 billion) share issue, as London Stock Exchange plunged on Monday.

BP shares closed 45 pence down from Thursday's 350 pence. Anthony Alt, director of N.M. Rothschild & Sons, advised to the government, said there were no plans to change the terms of the issue.

As Paris Stocks Fall, M. Durand Bails Out of Privatized Shares

PARIS — The French government's ambitious plans to return scores of state-owned companies to the private sector have been jeopardized and may have been crippled, by the persistent slide in stock prices, analysts and economists Monday.

Paribas, for which investors paid 405 francs last January, ended the day at 367, a 10 percent drop from last Friday; Société Générale, the bank privatized last June at 407 francs, fell to 395 francs by the end of the day, a 4 percent drop from Friday.

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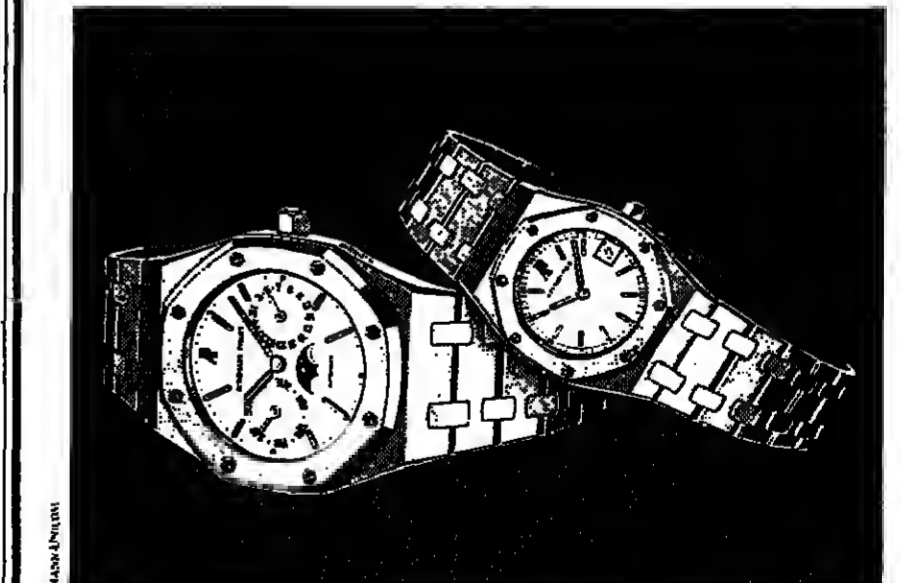
Black Humor and Trading 'Shock' Some Investors Shrug but Psychologists See Combat Fatigue

DALLAS — There wasn't much crying in the streets here Monday, but the New York Stock Exchange's jolts produced quite a lot of black humor.

Although many investors may be keeping their sanguinity, psychologists were beginning to have concerns about stock traders. Some experts said that although traders are said to have tough skins, the record drops in the Dow Jones industrial average were giving traders "shock" symptoms.

While the Dow Jones average took a major dive, "the stress indicator has gone up 400 percent," said Mr. Butterworth, president of Contemporary Psychology Associates, a research and counseling group.

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MUNICIPALITY THE FUTURE

NYSE Most Actives table with columns: Val, High, Low, Last, Chg. Lists top trading stocks like AT&T, GM, Ford.

Market Sales table showing NYSE 3 p.m. volume, NYSE adv. cons. close, Amex adv. cons. close, Prev. OTC 4 p.m. volume.

NYSE Index table with columns: Composite, Industrials, Finance, Utilities, Commodities.

Monday's NYSE 3pm logo with 'Via The Associated Press' text.

AMEX Diary table with columns: High, Low, Last, Chg. Lists various market indices.

NASDAQ Index table with columns: Composite, Finance, Insurance, Stocks, Transp.

AMEX Most Actives table with columns: Vol, High, Low, Last, Chg. Lists active stocks.

Dow Jones Bond Averages table with columns: Prev. Close, Today's High, Low, Last, Chg.

NYSE Diary table with columns: Buy, Sell, Short, Total. Includes 'Not available of press time'.

Odd-Lot Trading in N.Y. table with columns: Buy, Sell, Short, Total.

Dow Jones Averages table with columns: Indus, Transp, Comm, Open, High, Low, Close, Chg.

Standard & Poor's Index table with columns: High, Low, Last, Chg. Lists various market indices.

NASDAQ Diary table with columns: Class, Prev. Close, Today's High, Low, Last, Chg.

AMEX Stock Index table with columns: High, Low, Last, Chg. Lists various market indices.

Large table of stock prices (A) with columns: 12 Month High, Low, Stock, Div, Yld, PE, St, High, Low, 3PM Last, Chg.

Large table of stock prices (B) with columns: 12 Month High, Low, Stock, Div, Yld, PE, St, High, Low, 3PM Last, Chg.

SEC Head Mulled Trading Halt

WASHINGTON — The chairman of the Securities and Exchange Commission Monday said he had considered a brief trading halt as one way of restoring order to the stock market. 'I'm not afraid to say that there is some point, and I don't know what that point is, that I would be quite anxious to talk to the New York Stock Exchange about a very temporary halt in trading,' David Ruder, the SEC's chairman, said at midday. Stock trading was last halted briefly when President Ronald Reagan was shot on March 30, 1981. However, the SEC said later in a statement that federal securities regulators were not discussing a move to close U.S. securities markets. The SEC 'is not discussing closing the nation's securities markets,' it said. The commission said it 'is concerned about current market conditions, is closely monitoring the situation and is in regular contact with the various markets and other regulatory bodies.' An SEC spokesman emphasized that the agency had not been in contact with Reagan administration officials about Monday's market activity, or any response to the volatile stock market. Mr. Ruder said, however, that he had been in frequent contact with John Phelan, chairman of the New York Stock Exchange, about the market's record drop. Mr. Ruder, who spoke to reporters after addressing an American Stock Exchange-sponsored investors' conference, stressed that the

Due to the extraordinary volume of trading on Wall Street, these pages include prices as of 3 P.M. SEC does not have the legal authority to order a trading halt. Any trading halt must be approved by the stock exchanges, Mr. Ruder said. He said a quick analysis by the SEC found that Friday's 108-point drop in the Dow Jones industrial average, the record until Monday, was caused by both market fundamentals and computer program trading. 'We are aware, dealing with Friday's markets, that there were underlying fundamentals causing the market decline and that there was, in addition, so-called program trading,' he said. Program trading, generally large-scale and computer-generated, has often had big impacts on daily trading. It involves trading in stock index futures as well as the stock market. Mr. Ruder said he was concerned about the precipitous decline in stock values and market volatility, but said it was too soon to tell what effect it would have on the U.S. economy. 'It does cause me concern,' he said. 'The volatility is something that we all need to be worried about.' In New York, the NYSE said it had not had any discussions about stopping trading. 'Everything is running smoothly although there are delays in some areas,' said Richard Torrenzano, vice president of the NYSE. 'We're monitoring everything including capital requirements [of member firms] very closely.'

Large table of stock prices (C) with columns: 12 Month High, Low, Stock, Div, Yld, PE, St, High, Low, 3PM Last, Chg.

Large table of stock prices (D) with columns: 12 Month High, Low, Stock, Div, Yld, PE, St, High, Low, 3PM Last, Chg.

Large table of stock prices (E) with columns: 12 Month High, Low, Stock, Div, Yld, PE, St, High, Low, 3PM Last, Chg.

Large table of stock prices (F) with columns: 12 Month High, Low, Stock, Div, Yld, PE, St, High, Low, 3PM Last, Chg.

Large table of stock prices (G) with columns: 12 Month High, Low, Stock, Div, Yld, PE, St, High, Low, 3PM Last, Chg.

Large table of stock prices (H) with columns: 12 Month High, Low, Stock, Div, Yld, PE, St, High, Low, 3PM Last, Chg.

Large table of stock prices (I) with columns: 12 Month High, Low, Stock, Div, Yld, PE, St, High, Low, 3PM Last, Chg.

Large table of stock prices (J) with columns: 12 Month High, Low, Stock, Div, Yld, PE, St, High, Low, 3PM Last, Chg.

Large table of stock prices (K) with columns: 12 Month High, Low, Stock, Div, Yld, PE, St, High, Low, 3PM Last, Chg.

Large table of stock prices (L) with columns: 12 Month High, Low, Stock, Div, Yld, PE, St, High, Low, 3PM Last, Chg.

Large advertisement for ITT Corporation with text: 'ITT knows ex... But... the chan... Ther... to help th... And... Last... motive so... more tha... equipmen... manufac... and the U... And grev... Two of its... develop... SWF Au... wiper-sys... Our... 500 hotel... worldwid... ITT... Compon...

Handwritten signature or mark at the bottom center of the page.

ITT is one of the world's foremost producers of automotive equipment.

ITT is one of the largest luxury hotel chains in the world.

ITT is a leader in defense technology.

ITT is an insurance company with assets of \$19.8 billion.

ITT is one of the fastest growing financial service companies in America.

ITT is a partner in the largest telecommunications manufacturing company in the world.

What is IT?

ITT is a 17.4 billion dollar corporation that knows exactly where it is going.

But it wasn't always this way.



There were businesses we could grow that were clearly "Us." And others that just as clearly weren't.

We parted company with many, but held on to those product and service businesses which offered the chance for industry leadership.

Then we rolled up our sleeves and worked to help those businesses grow and prosper.

And grow they did.

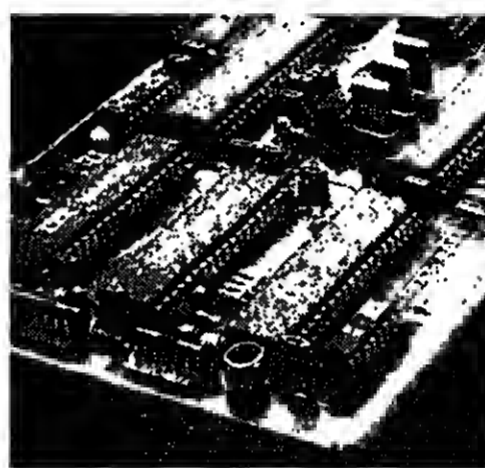
Last year, ITT Automotive sold equivalent of more than \$100 worth of equipment for every car manufactured in Europe and the United States.

And grew more than 30%.

Two of its major units are Teves GmbH, developer of anti-lock braking systems, and SWF Auto-Electric GmbH, a leader in wiper-system technology.

Our Sheraton Hotel chain grew to nearly 500 hotels, inns and resorts in 62 countries worldwide, including 14 major cities in Europe.

ITT Intermetall, a unit of ITT Electronic Components, is among the leaders in the pro-

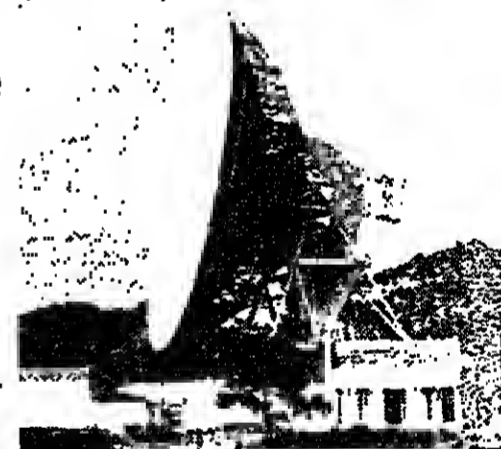


duction of integrated circuits. And it developed the microchip for the most exciting video product in 30 years: digital television.

Worldwide premiums for The Hartford Insurance Group totalled \$4.5 billion for the first six months of 1987—an 11% improvement over first half of 1986.

ITT Financial Services has completed twelve consecutive years of record revenue and income.

And our joint venture with CGE, Alcatel N.V., has given us 37% ownership in what is now the largest telecommunications manufacturing company in the world.



These are just six of the businesses we're in that are already leaders in their fields. We're also leaders in Fluid Technology, Defense Technology, Communications and Information Services and Natural Resources.

The hard work is paying off. In the first 6 months of 1987, net income is up 60%, totaling \$427 million, or \$2.80 per share, compared to \$266 million, or \$1.75 per share for the first 6 months of last year.

And we've only just begun.

IT is ITT
BUILDING BUSINESSES INTO LEADERS

Monday's NYSE 3pm

Table of stock market data including NYSE, AMEX, and OTC indices and various stock prices.

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U.S. Futures

Table of U.S. Futures prices for various commodities like grains, oil, and metals.

Livestock

Table of Livestock prices for cattle, hogs, and sheep.

Currency Options

Table of Currency Options prices for various international currencies.

Financial

Table of Financial market data including interest rates and bond yields.

Food

Table of Food commodity prices including coffee, sugar, and other agricultural products.

Metals

Table of Metals prices for various types of metal.

Stock Indexes

Table of Stock Indexes for various international markets.

Commodity Indexes

Table of Commodity Indexes for various raw materials.

Paris Commodities

Table of Paris Commodities prices for various goods.

London Commodities

Table of London Commodities prices for various goods.

Spot Commodities

Table of Spot Commodities prices for various raw materials.

S&P 100 Index Options

Table of S&P 100 Index Options prices.

U.S. Treasuries

Table of U.S. Treasury bond yields and prices.

China Reports Deficit Shrank

BEIJING — China's merchandise trade deficit narrowed to \$2.7 billion in the first nine months of 1987 from \$8.9 billion a year earlier, the National Bureau of Statistics said Monday.

Retail Sales in U.K. Fall 0.8%

LONDON — The volume of retail sales in Britain fell a preliminary, seasonally adjusted 0.8 percent in September after rising 1 percent in August, the Department of Trade and Industry reported Monday.

Edipress International B.V.

2011 VH Haarlem P.O. Box 363 2000 AJ Haarlem Tel.: (023) 32 23 41/Tx: 41833

Paris Commodities

Table of Paris Commodities prices for various goods.

London Commodities

Table of London Commodities prices for various goods.

Spot Commodities

Table of Spot Commodities prices for various raw materials.

S&P 100 Index Options

Table of S&P 100 Index Options prices.

U.S. Treasuries

Table of U.S. Treasury bond yields and prices.

Large advertisement for ESCORT International, featuring text about car services and contact information for various locations like London and KENSINGTON.

Handwritten signature or note at the bottom of the page.

BUSINESS ROUNDUP

FCA Had \$76 Million Loss in Quarter

IRVINE, California — Financial Corp. of America, the largest U.S. savings and loan company, reported Monday a net loss in the third quarter of \$75.8 million, or 20 cents a share, a reversal from a profit of \$11.6 million, or 24 cents a share, a year earlier.

Group Led by TV Producers Has 9.8% of Media General

WASHINGTON — A shareholder group led by Barris Industries Inc. said Monday that it had acquired a 9.8 percent interest in common stock of Media General Inc. and might seek control of the company.

Norsk Data Lowers Forecast For 1987 Profit

OSLO — Norsk Data A/S said Monday that weak sales outside Europe had forced it to lower its 1987 pretax profit forecast by 100 million kroner (\$15 million) and its expected 1987 sales figure by about 150 million kroner this year.

Company Results

Table with columns for Company Name, 1987 Revenue, 1987 Profit, 1986 Revenue, 1986 Profit, and % Change. Includes companies like Champion Spark Plug, TDK Group, and Bell Atlantic.

AT&T Reports Lower Net But Stronger Product Sales

NEW YORK — American Telephone & Telegraph Co. said Monday that its net income had fallen by 5.3 percent to \$505 million in the third quarter. Analysts and company executives, however, were pleased with strong product sales.

Wang Unveils Minicomputers

LOWELL, Massachusetts — Wang Laboratories Inc. introduced four minicomputers Monday that offer increased power, memory and storage capacity at a lower price than earlier models, executives said.

BUSINESS PEOPLE

Tallgrass Technologies Names New President

By Arthur Higbee Tallgrass Technologies Corp. has recruited David F. Horton as president and chief executive with the mission of steering it through its current difficulties.

Textile Institute Gives Medals to Japanese, Briton

MANCHESTER, England — The Textile Institute has awarded its annual Medal for Design to Jean Muir, the British clothing designer, and the annual Warner Memorial Medal to Suetō Kawabata, professor of polymer chemistry at Kyoto University, Japan.

Is Kerkorian the Right White Knight for Pan Am's Unions?

By Agis Salpukas NEW YORK — It has been almost a year since four unions formed a coalition at Pan Am to help them find an investor who would buy a large stake in the company, bring in new management and give the employees a large chunk of stock in return for concessions.

New Cavendish Is Purchased

LONDON — Noro-Buckfield NV, a private Dutch investment and fund management group, said Monday that it had bought a 52.3 percent stake in New Cavendish Estates PLC and was making a bid for the remainder of the British property company, valuing it at \$24.5 million (\$41 million).

ESORTS & GUIDES section listing various travel agencies and services like ARISTOCATS, LONDON ESCORT SERVICE, and MAYFAIR CLUB.

INTERNATIONAL CLASSIFIED section with multiple columns of classified advertisements for various services and companies.

Financial GRAND PRIZ 1987 advertisement featuring a list of the 100 Best Traders in the World and information about the prize.

PIERS advertisement for importers, featuring an image of a ship and text describing their services for bringing goods into the U.S.

Monday's MEX 3pm

In The Associated Press

11 Month High Low Stock Div. Yld. PE 52 High Low JPAI Qtd. Chge

110	4	ABIB	15	148	115	92	7.7	11	10
111	1	AL	15	15	115	115	11	11	11
112	1	AL	15	15	115	115	11	11	11
113	1	AL	15	15	115	115	11	11	11
114	1	AL	15	15	115	115	11	11	11

12 Month High Low Stock Div. Yld. PE 52 High Low JPAI Qtd. Chge

120	1	AL	15	15	115	115	11	11	11
121	1	AL	15	15	115	115	11	11	11
122	1	AL	15	15	115	115	11	11	11
123	1	AL	15	15	115	115	11	11	11
124	1	AL	15	15	115	115	11	11	11

12 Month High Low Stock Div. Yld. PE 52 High Low JPAI Qtd. Chge

125	1	AL	15	15	115	115	11	11	11
126	1	AL	15	15	115	115	11	11	11
127	1	AL	15	15	115	115	11	11	11
128	1	AL	15	15	115	115	11	11	11
129	1	AL	15	15	115	115	11	11	11

12 Month High Low Stock Div. Yld. PE 52 High Low JPAI Qtd. Chge

130	1	AL	15	15	115	115	11	11	11
131	1	AL	15	15	115	115	11	11	11
132	1	AL	15	15	115	115	11	11	11
133	1	AL	15	15	115	115	11	11	11
134	1	AL	15	15	115	115	11	11	11

12 Month High Low Stock Div. Yld. PE 52 High Low JPAI Qtd. Chge

135	1	AL	15	15	115	115	11	11	11
136	1	AL	15	15	115	115	11	11	11
137	1	AL	15	15	115	115	11	11	11
138	1	AL	15	15	115	115	11	11	11
139	1	AL	15	15	115	115	11	11	11

12 Month High Low Stock Div. Yld. PE 52 High Low JPAI Qtd. Chge

140	1	AL	15	15	115	115	11	11	11
141	1	AL	15	15	115	115	11	11	11
142	1	AL	15	15	115	115	11	11	11
143	1	AL	15	15	115	115	11	11	11
144	1	AL	15	15	115	115	11	11	11

INTERNATIONAL FUNDS (Quotations Supplied by Funds Listed) 19th Oct. 1987

Net asset value quotations are supplied by the Funds listed with the exception of those based on issue price. The marginal symbols indicate frequency of quotations supplied: (d) - daily; (w) - weekly; (b) - bi-monthly; (r) - quarterly; (q) - irregularly.

ALMA GROUP	ALMA TRUST S.A.	ALMA TRUST S.A.	ALMA TRUST S.A.	ALMA TRUST S.A.	ALMA TRUST S.A.	ALMA TRUST S.A.	ALMA TRUST S.A.	ALMA TRUST S.A.	ALMA TRUST S.A.
ALMA TRUST S.A.	ALMA TRUST S.A.	ALMA TRUST S.A.	ALMA TRUST S.A.	ALMA TRUST S.A.	ALMA TRUST S.A.	ALMA TRUST S.A.	ALMA TRUST S.A.	ALMA TRUST S.A.	ALMA TRUST S.A.
ALMA TRUST S.A.	ALMA TRUST S.A.	ALMA TRUST S.A.	ALMA TRUST S.A.	ALMA TRUST S.A.	ALMA TRUST S.A.	ALMA TRUST S.A.	ALMA TRUST S.A.	ALMA TRUST S.A.	ALMA TRUST S.A.
ALMA TRUST S.A.	ALMA TRUST S.A.	ALMA TRUST S.A.	ALMA TRUST S.A.	ALMA TRUST S.A.	ALMA TRUST S.A.	ALMA TRUST S.A.	ALMA TRUST S.A.	ALMA TRUST S.A.	ALMA TRUST S.A.
ALMA TRUST S.A.	ALMA TRUST S.A.	ALMA TRUST S.A.	ALMA TRUST S.A.	ALMA TRUST S.A.	ALMA TRUST S.A.	ALMA TRUST S.A.	ALMA TRUST S.A.	ALMA TRUST S.A.	ALMA TRUST S.A.

AS - Australian Dollars; BF - Belgian Franc; CA - Canadian Dollar; DM - Deutsche Mark; ECU - European Currency Unit; FF - French Franc; Lit - Italian Lira; L.S. - Pound Sterling; M - Mark; S - Swiss Franc; S.M. - Spanish Mark; T.S. - Taiwan Dollar; US - US Dollar; Y - Yen.

THE ROUTE TO MARKETS

Monday's MEX 3pm

OTC

Be sure that your fund is listed in this space daily. Telex Matthew GREENE at 61359P for further information.

Handwritten signature: John Smith

THE ROUT IN WORLD MARKETS: Stock prices plunge in a chaotic, panicky sell-off

MARKETS: Dow Plummets More Than 500 Points

(Continued from Page 1)
grew in intensity and under the spreading uncertainty of the duration of the current storm, which began after the peaked at 2,722.42 on Aug. 19, the blue-chip age has given up more than 36 percent of its value.
Monday's drop helped to wipe the more than 826-point gain Dow average had piled up since beginning of 1987.

Mr. Baker commented over the weekend that the U.S. administration might allow the dollar to drift lower against the West German mark to offset Bonn's recent interest rate increases.
Few in the marketplace, however, believe that the administration is capable of allowing the dollar to decline against selected currencies. Instead, most believe it will fall against all major currencies. With the Treasury planning another big auction in November, some analysts think interest rates will have to increase again to attract foreign investors.

Frank Korth, a market analyst with Shearson Lehman Brothers, believes the yield on a long term Treasury bond may have to reach 11 percent, "it's part of a cycle of events that continues to force the markets to spiral downward," he said.
On Monday, money continued to pour out of stocks and bonds into gold and short-term Treasury securities, which are considered safe havens in times of crisis.
The fear among investors was obvious from the start of trading with the Dow off more than 65 points in the first hour of trading. Even this, however, did not fully testify to the market's woes. About 20 percent to 30 percent of the Big Board's stocks could not be quoted initially because a wave of selling orders created an order imbalance. By late afternoon, the backlog had grown to the point where the mar-

Gold Prices Soar \$20 on Stock, Dollar Worries

LONDON — Gold prices soared more than \$20 Monday, propelled by a weak dollar, plunging stock prices and the U.S. attack on Iranian oil platforms, before easing.
In London, gold was fixed at \$481 an ounce in what dealers said was probably a record long fixing of one hour 55 minutes. The gold market closed shortly thereafter.
Gold, a haven in times of crisis, closed in London at \$482.75, more than \$15 up from \$467.50 at Friday's close, but below the day's high of \$490, the highest in four and a half years.
By midday in New York, spot gold was up \$12.40 at \$484 an ounce, after falling back from an early high of \$491.50.
In futures, December gold returned a gain of \$1.50 to \$487.80 an ounce, having retreated from \$496. Analysts said the market attracted speculative interest and possibly led to even higher prices.
The 95-point drop in the Dow on Oct. 14 in response to the smaller-than-expected improvement in August's trade deficit illustrated Wall Street's concern.
That was followed on Friday by a 108.35 point fall.

Dollar Sharply Lower Before Baker Comment

NEW YORK — The dollar closed sharply lower Monday in New York trading, pushed down by the steep decline in U.S. share prices, dealers said.
Dealers said the 508.32-point drop in the Dow Jones industrial average renewed fears that foreign investors would liquidate their dollar holdings.
In after-hours trading, however, the dollar erased its losses, rallying in response to news that James A. Baker 3d, the U.S. Treasury secretary, had held meetings with Gerhard Stoltenberg, West Germany's finance minister.
The dollar closed in New York at 1.7735 Deutsche marks, down from 1.7980 DM at Friday's close; at 141.35 yen, down from 142.40; at 5,924.5 French francs, down from 6,004.5; and at 1,4730 Swiss francs, down from 1,4880.
The British pound also gained on the dollar, closing at \$1.6855, against \$1.6665.
Dealers said the market remained uncertain amid the conflicting trends now emerging. "People are wickily confused," said one dealer. "They are really afraid."

London Dollar Rates

Table with columns: Currency, Bid, Ask, P/L. Includes Deutsche mark, French franc, Swiss franc, Japanese yen, etc.



A newspaper seller putting up a poster in London, where stock prices suffered a record one-day fall on Monday.

ASSESS: Comparisons With 1929

(Continued from Page 1)
securities that suddenly look inexpensive.
He said a temporary closure of the markets to allow them to cool off would be an unwise solution, although some traders said they believed it would be helpful.
In Washington, the chairman of the Securities and Exchange Commission, David Ruder, said that a brief trading halt had been discussed, but rejected, on Monday.
Monday's action was largely confined to stock markets.
The price of gold was up a sharp \$20 an ounce but closed in London at \$482.50, a gain of about \$10 from Friday's New York close. The

price of oil also spurred, up about 40 cents a barrel, before retreating to a small 2 cent gain.
Analysts said the focus of activity on the stock markets reflected the high proportion of individual investors present there as compared with institutional investors in bond or foreign-exchange markets. The share selling by individuals meant that institutional investors could not ignore the market and the heavy institutional sales reinforced the decline.
In Tokyo, bankers noted that it is easier for Japanese institutions to speculate in the stock market than in the foreign-exchange market, where daily positions must still be reported to the Bank of Japan.

Monday's OTC Prices

NASDAQ prices as of 3 p.m. New York time. Via The Associated Press

Table of OTC prices for various stocks including AIG, AIGP, AIGS, etc.

Table of stock prices for various companies including AIG, AIGP, AIGS, etc.

Table of stock prices for various companies including AIG, AIGP, AIGS, etc.

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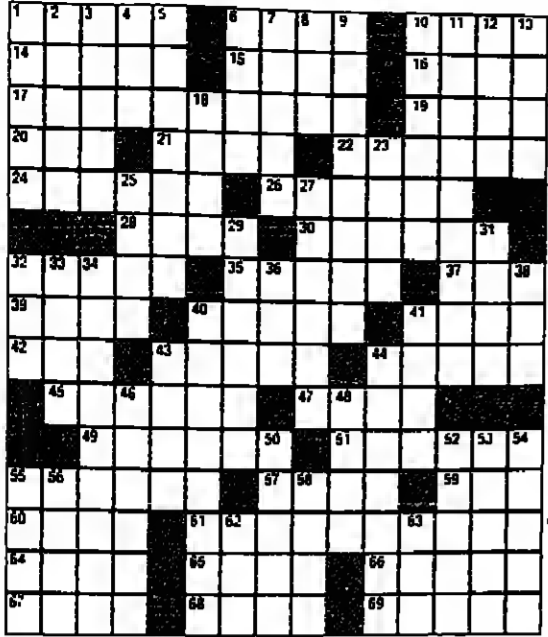
Table of stock prices for various companies including AIG, AIGP, AIGS, etc.

Soviet Output Slowed and Trade Fell in 9 Months

MOSCOW — The Soviet Union's industrial output is growing at a slower pace in 1987 than in 1986 and foreign trade has fallen, according to government statistics published Monday.
The figures, which appeared in Pravda, show that industrial production rose 3.6 percent in the first nine months of 1987 compared with the year-earlier period. Year-to-year growth was 5.2 percent for the first nine months of 1986.
Foreign trade in the 1987 period fell 3.6 percent as exports fell by 0.5 percent and imports dropped by 4.2 percent.
Foreign trade in the nine months totaled \$4.2 billion rubles (\$149 billion at official rates). Separate import and export figures were not given.
One factor affecting industrial growth was the introduction of a new quality-control plan, Western economists said. Last year's calculations of industrial output included all goods, irrespective of quality.
Under the new plan, introduced in line with Mikhail S. Gorbachev's drive to modernize the economy, special inspectors have the right to reject goods they consider below standard.
The figures showed that on Oct. 1, there were more than 8,000 cooperative enterprises employing more than 80,000 people. More than 200,000 were employed in the private sector.

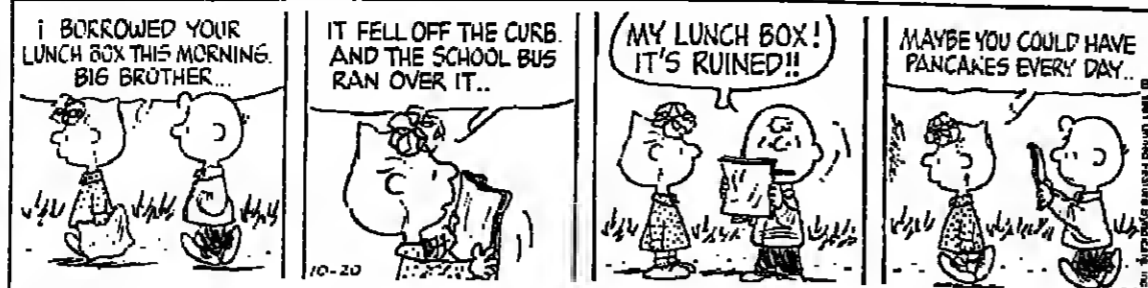
Monday's AMEX 3p.m. logo and text.

Table of AMEX stock prices for various companies including AIG, AIGP, AIGS, etc.

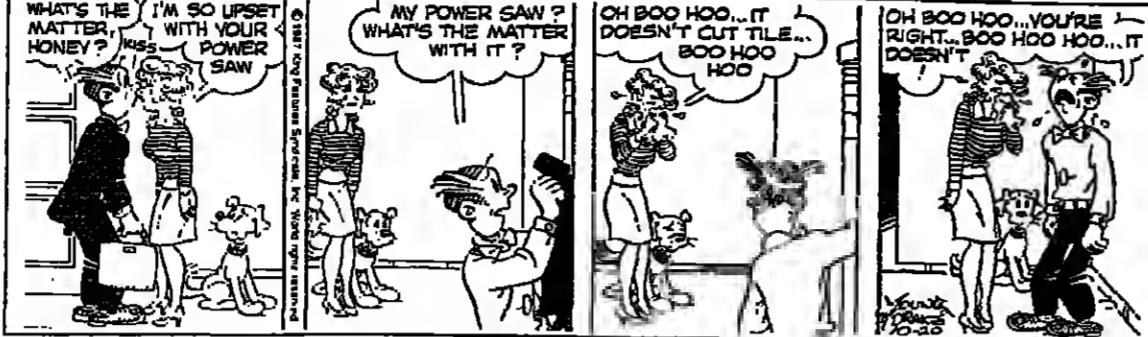


ACROSS
1 '68 Minutes' co-host
6 Charitable gift
10 Style of jazz
14 Cognizant
15 American
16 Do honor at
17 Most dignified
19 Money Island's Park
20 Lure into
21 Put on the line
22 Six, for the bee
24 Prospects highly
26 Choo-ee
28 Castle
30 Pious on hold
32 African
35 Dormant
37 Crewman at
39 Limousine
40 Endure with
41 Pull up stakes
42 Guide at St.
43 I... of
44 Held a match on
45 Not wholly
47 Predicament
48 Pathless
51 ...one
52 Self-absorption
53 Feels poorly
59 Part of a ritual
60 Political
61 W...
64 Concerning
65 Otherwise
66 M...
67 Musical from a
68 New Look
69 Wide-spread
9 Pioneers
10 Edit film
11 M... for
12 Pully, in Tum
13 Caterina
18 Describe
23 Weigh by
25 Angelo-Stevon
27 Swellings
29 Widen
31 Except
32 Overhead rail
33 Horse god of
34 Henry V won here; Oct. 1415
36 Nothing
38 Roulette bet
40 Cut corners
41 Tint arachnid
42 Weaken
44 Showing of a monk's head
46 Balance
48 Six of a shirt
50 Authority
52 Not glossy
53 (Crisse or)
54 Signs of our
55 ...one poem
56 Lollobrigida
58 Jack Frost?
62 ... Baba
63 Cold and damp

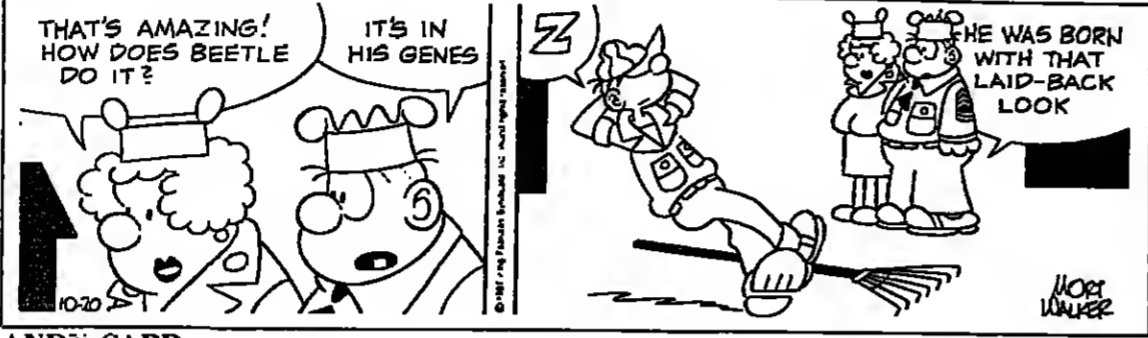
PEANUTS



BLONDIE



BEETLE BAILEY



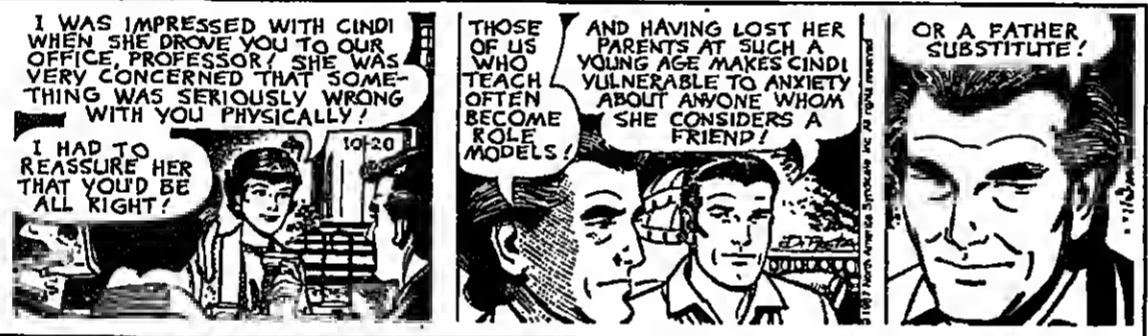
ANDY CAPP



WIZARD OF ID



REX MORGAN



GARFIELD



DENNIS THE MENACE



JUMBLE

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.
HICCK
GLIVI
TOAPIE
ABNERN
Print answer here: _____

WEATHER

Table with weather forecasts for various regions including Europe, Middle East, Oceania, and North America. Columns include location, high, low, and conditions.

World Stock Markets

Table showing closing prices in local currencies for various stock markets including Amsterdam, London, Hong Kong, Frankfurt, Zurich, and Tokyo.

See Page 19

Table showing stock market data for various cities including Toronto, Singapore, Stockholm, Sydney, Zurich, and Tokyo.

BOOKS

I PLEDGE ALLEGIANCE . . . The True Story of the Walkers: An American Spy Family

By Howard Blum. Illustrated. 438 pages. \$18.95. Simon & Schuster, 1230 Avenue of the Americas, New York, N.Y. 10020.

Reviewed by Christopher Lehmann-Haupt

"THE life of spies is to know, not to be known," wrote George Herbert, the 17th-century English poet. Howard Blum, an investigative reporter, convinces us otherwise in his unusual nonfiction espionage thriller, "I Pledge Allegiance." Building carefully from interviews, trial transcripts and government records, and writing in the various narrative idioms of his wit, Blum has made an almost novelistic drama of John A. Walker Jr.'s decision to sell military secrets to the Soviet Union. Even though handicapped by never having met or interviewed Walker, the author makes us feel we are present as the navy communications expert first approaches the Soviet Embassy in Washington, then cunningly seduces a friend and certain family members into joining his enterprise and finally, after more than 17 years of profitable espionage, steps into the FBI trap that brings his career to an end.

Russians paid him \$200,000 (this was not the \$100,000 too easy to trace) for the FBI notice for their tendency to cut from being wound in tightly banded rolls.

We glimpse the many sides of John Walker — the clown, the braggart, the fantasist and compulsive liar, the good-natured joker who kept his men's morale up during long submarine voyages and the ill-tempered bully who beat his wife and children.

It has been observed elsewhere that the Walker family represents a new kind of American traitor — one not encumbered by ideological commitment or loyalty to a foreign power but rather one simply in the game for the money. Blum persuades us that there was more to John Walker than the mercenary.

Certainly he was driven at first by financial pressure: He got himself into terrible debt and he found a way out.

But once started, he discovered there were other benefits besides money. He liked the playing of the game itself, the thrill of taking risks and being afraid of getting caught. He liked the sense of worth it gave him. He liked the feeling that he was a secret celebrity. One of the most telling details in Blum's book is revealed when Walker becomes a private detective after retiring from the navy and is asked by phone to investigate a former friend who had risen to a position of leadership in the Ku Klux Klan.

When he got that strange call asking him to investigate, "it just reaffirmed to Johnny how far his old buddy had come up in the world."

By such perverted standards, Walker's success never does come to an end. In the final pages, we find him trying to put together a \$3 million movie and book package for his family that would be in Blum's words, "a lot sweeter than the last deal he had cut for them." It would be, if successful, "about five times the entire sum the ring had earned from the Russians. . . . A lot of people thought the KGB had made out like bandits. . . . Blum does not disclose whether such a deal was ever consummated, though he does refer in his acknowledgments to a man "who is writing the play about the Walker family for CBS. One trusts the Walkers will not profit from this. If they do, maybe we as their victims should receive some small share."

Christopher Lehmann-Haupt is on the staff of The New York Times.

CHESS

By Robert Byrne

THE games of yesterday are primarily useful for inspiration and not absolute truth. Nevertheless, one must beware of rushing to fault the thinking of the titans of the game. Recently, in a game between Jan Timman, the leading Dutch grandmaster and Boris Gulko, a Russian emigre grandmaster who now lives in the United States, there was presented a stern challenge to a half-century-old concept of attack of Alekhine. In the play, which took place in the O.H.R.A. International Tournament in Amsterdam, Timman succeeded, but one may well wonder whether Alekhine might not have turned in his grave. Before this game, Gulko had been doing well with the ancient Classical Defense to the Ruy Lopez. For example, in the Biel Interzonal Tournament in Switzerland, he won 5... NXP; 6 Q-K2, N-N3; 9 QxQx, BxQ, with a perfectly satisfactory ending for Black, which Gulko actually won.

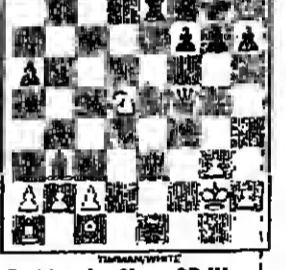
white bishop. The chief danger to the system is just what Timman played — 9 Q-N3; 10 P-KB4, O-O; 11 P-B3, P-Q4; 12 Q-Q3, when 12... N-R1 would give Black a miserable position.

However, the true point of Black's play is a deliberate sacrifice for attack with 12... N-R5!? originated by Alekhine against a consultation team in an exhibition in Philadelphia in 1924. The consultants declined the plan of material in favor of 13 B-K3 but immediately ran into trouble from 13... B-N4!

On the other hand, Timman tried to fault Alekhine with 13 P-KN3, P-B4; 14 PxP, BxP; 15 K-R1, NxP; 16 R-N, BxR; 17 QxR, seizing two pieces for rook-and-pawn and daring Gulko to uphold Alekhine's judgement that Black's attack cannot be suppressed.

Gulko appeared to be on the right Alekhine track through 20 B-N3, but then he should have proceeded in Alekhine style with 20... QR-K1!

White could not then save himself by 21 Q-B1, P-Q5; 22 QxQ, RxQ; 23 N-Q5 because 23... P-Q6! 24 PxP [24 B-K3, RxR; 25 BxP, P-Q7 is lost for White's attempt to overwhelm Black in the center with 5 NXP by 5... N-N3; 6 P-Q4, P-Q3; 7 B-K4, NxP. This 6... P-Q3 finesse, slightly misplacing the White K8, stems from Van Scheltinga. One point is that Black can answer 9 P-N3 by 9... B4 followed by exchanging the



Position after 21... QR-K1

23 N-R4 (23 B-KB4 does not work: 23... QR-K1; 24 BxP; 25 Q-N4, P-N3; 26 Q-KB4, Q-NxR; 27 K-R3, Q-B7 wins for Black); 27 K-R3, K-R3, B-N3; 28 P-N3, RxP; 29 K-N4, Q-K4 wins for Black.

However, Gulko used a wrong order of moves, 20... N-N3; 21 NxP, QR-K1, and was destroyed by Timman's 22 B-K3! It was no use playing 22... Q-K7ch because of 23 B-N3, so Gulko staggered along with 23... QR-K1; 24 B-K7ch, KxQ; 25 P-N3, RxP; 26 K-N4, Q-K4; 27 N-N3; 28 QxQ, RxQ; 29 BxR would have lost for Black. Gulko gave up.

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Table with stock market data for various cities including Toronto, Singapore, Stockholm, Sydney, Zurich, and Tokyo.

Fabled M

Replacem

SWIFT TRAIL

Partial text from the 'SWIFT TRAIL' column, mentioning a replacement and a trail.

SPORTS

Twins Deck Cards, 8-4, for 2-0 Lead

By Michael Martinez
New York Times Service

MINNEAPOLIS — The Minnesota Twins, who burst from the gate in Saturday's World Series opener, had plenty left Sunday night. They scored six runs in the fourth inning, got home runs from Gary Gaetti and Tim Lincecum and heard the familiar strains of a screaming sellout crowd on their way to an 8-4 victory over the St. Louis Cardinals and a two-game Series lead.

The Twins, who have won all four of their postseason games at the Metrodome, where a record 55,257 were in attendance Sunday, now join the Cardinals in St. Louis for the third, fourth and, if necessary, fifth games.

Game 2's resounding victory was a mirror of the 10-1 triumph on Saturday, when Minnesota scored the bulk of its runs in the fourth. The Twins got six in that inning Sunday off Danny Cox, the St. Louis starter, with Randy Bush and Lincecum driving in two apiece.

In two games, the Twins have outscored the Cardinals, 18-5, and have outhit them, 21-14. They also became the first team ever to score at least five runs in seven consecutive postseason games in the same year.

Their lead was 7-0 by the time St. Louis scored its first run. Bert Blyleven went the first seven innings and surrendered two harmless runs before Juan Berenguer gave up two more and yielded to Jeff Reardon, who pitched a scoreless ninth; Reardon was in the game mainly because he needed the work.

Sunday night's pitching matchup was a first for the World Series, opposing two European-born pitchers — Blyleven was born in the Netherlands and Cox in England. But only one, right-hander Blyleven, remained there beyond the fourth.

Cox, like Joe Magrane a night earlier, was knocked out of the game by a Minnesota rush. This time, the Twins turned a 1-0 lead into a 7-0 cushion.

Gary Gaetti had put the Twins ahead in the second with a line-drive, 397-foot (121.28-meter) homer off Cox into the left-field seats. It was Gaetti's third hit in two Series games and his third home run in the postseason.

But the fourth inning must have looked like a television rerun to the St. Louis manager, Whitey Herzog. In Game 1, the Twins exploded for seven runs, sending 11 batters to the plate; Sunday night, same inning, same number of batters, six runs.

It was pretty much over by that point. Even Herzog had conceded after the first game that his team was done with the score at 7-1. Now, in Game 2, he was facing an even greater deficit.

This time there was no grand-slam homer by Dan Gladden — only six hits, two walks and a wild pitch.

Minnesota loaded the bases with one out. Kirby Puckett and Kent Hrbek each lined singles to right before Cox, with Gaetti at the plate, unleashed a delivery to second and third on the wild pitch, and Gaetti drew a four-pitch walk before Randy Bush, making his first start in a Series, slashed a double to the wall in right after falling behind in the count, 0-2.

Puckett and Hrbek scored for a 3-0 lead, and the roll began.

With first base open, Cox intentionally walked Tom Brunansky to get to Steve Lombardozzi, the weak-hitting second baseman, and set up a possible double play. But instead of a ground ball, Lombardozzi lifted a fly ball to left that was too shallow to tempt Gaetti.

Tim Lincecum, the catcher who calls himself Buck-Ninety for his regular-season average (actually, he hit .191), delivered two more runs with a bounce through the left side of the infield. Gaetti came in, and so did Bush —

scoring from second base with an acrobatic, head-first slide, his left hand brushing the plate ahead of the tag by catcher Tony Pena. A single by Gladden drove in Brunansky and knocked out Cox. Then Greg Gagne's blood double to right, off Lee Tunnell, allowed another run to make it 7-0.

To the sixth, Laudner cracked a homer to dead center off Tunnell, a 420-foot shot that made it 8-1.

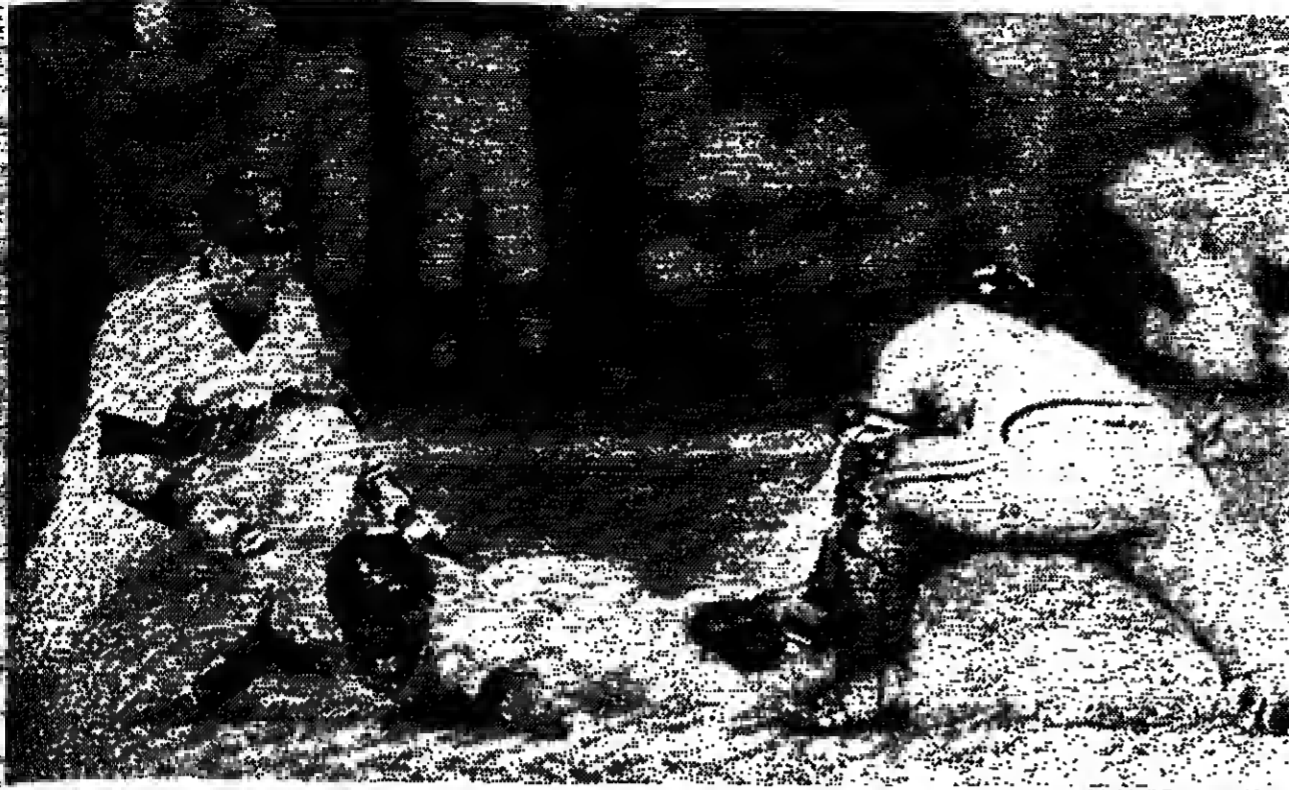
Without the injured Jack Clark to help erase big deficits with one swing of the bat, St. Louis was in an obvious hole. The lineup Herzog put on the field Sunday night totaled 38 home runs during the regular season, four more than Hrbek hit by himself.

Blyleven seemed to have the Cardinals off balance for most of the night. Vince Coleman looked at three pitches and struck out to begin the game, and it didn't get much better from there. Blyleven struck out Dan Driessen to close the first, Jose Oquendo to end the second and Pena to open the third.

He set down 12 of the first 14 batters he faced before Terry Pendleton led off the fifth with a single and eventually came around to score.

Pendleton was reduced to being the Cards' designated hitter here because of a strained muscle in his rib cage. He grounded out his first time at bat, then got to Blyleven and moved to second base on a walk to Curt Ford. Two groundouts later, he was home with the visitors' first run. But Blyleven struck out Coleman to end the fifth and put down Ozzie Smith, Tom Herr and Driessen routinely in the sixth.

St. Louis got a run in the seventh on successive singles to center by Ford, Oquendo and Pena, but potential trouble was averted when Puckett threw out Oquendo trying to advance from first to third on Pena's hit. The Cardinals scored two consolation runs off Juan Berenguer in the eighth.



Randy Bush gave the Twins a 5-0 lead with a fourth-inning slide that beat the sweeping tag of Cardinal catcher Tony Pena.

Fabled Minnesota: Well, It Ain't Necessarily So

By George Vecsey
New York Times Service

MINNEAPOLIS — The first thing you notice, upon stepping out of the hotel, are the children. They're in strollers, toddlers holding onto parents' hands, teenagers looking in store windows.

For a New Yorker, the sight of children downtown is even more shocking than the noise and the fluttering white hankies of the Metrodome, where fans celebrated the Twins' 10-1 and 8-4 weekend victories.

Where did Minnesota find all these children? In midtown Manhattan, children are occasionally spotted walking warily to school or meeting their fathers for the weekly Sunday brunch.

In downtown Minneapolis on Saturday, it was like a suburban mall with skyscrapers, Lake Wobegon with blond punk haircuts, Little House on the Prairie with Vietnamese restaurants, Mary Tyler Moore tossing a baseball cap in the air.

Is there some huge population bubble taking place out here that the census bureau hasn't yet tracked down? Is this a city without Yuppie, without the double-income-no-kids syndrome? Can people afford children here? Are there apartments with two and

three bedrooms near downtown? Maybe some of the families were visiting for the University of Minnesota football game on Friday night. Maybe others were visiting from St. Louis or other distant territory just for the World Series.

But many people along the bustling Nicollet Mall were obviously locals, doing what they do on autumn Saturdays, and the teen-agers heading toward the record shops and fast-food stands of speedy Hennepin Avenue seemed to know the way by heart.

Even that not totally benign strip of Minneapolis was co-opted on Saturday by pep rallies and bands and cheerleaders, all celebrating the ubiquitous white hankies, symbol of the Minnesota Twins' renaissance.

This World Series is going to expose a little secret — what a pleasant place this is, without even a glimpse of the lakes a few minutes from downtown. Letting in all these biocoastal types is going to destroy the blessed anonymity of the upper Midwest.

This World Series is also going to damage the stereotype of the impressive Minnesota, muttering "not so bad" upon marrying a childhood sweetheart or inheriting a million dollars. These people can make noise

with the best of them, indoors or outdoors. In the first World Series game in Minnesota in 22 years, the fans were recorded at 118 decibels for Dan Gladden's Game 1 grand-slam homer, just short of the sound of a jet plane leaving the ground, according to a sound meter supplied by the Minnesota Pollution Control Agency.

Saturday's crowd also chipped in with 117 decibels for Gladden's run-scoring double, 114 decibels for the final out, 111 decibels for the national anthem and 107 for the pregame introduction.

Then there was the horn-blowing after the game. After listening to Garrison Keillor on Prairie Home Companion for all those memorable Saturday evenings, one would have expected all good Minnesotans to rush home so they could go duck hunting or to church, the state's two major Sunday morning activities.

Instead, the fans took to their cars and coursed through downtown for hours after the game. The fans didn't do any damage. Nobody cursed or tossed beer bottles or set fire to their cars, so you could not truthfully say it was a real urban American baseball celebration, but maybe that will come if the Twins clinch the Series later this week.

In the first indoor World Series game, the Twins and their fans did impress upon the visiting Cardinals that the Metrodome is an important weapon for the team with the extra home game.

"In St. Louis, we like to think of our fans as the 10th man," said Tom Lewis, the pleasant Cardinal utility man. "Obviously, that's what the crowd is for them here too." Some of the Cardinals tried to downplay the importance of the noise and the hankies. Joe Magrane, the well-spoken young pitcher, worked with earplugs, but later said the noise had nothing to do with the five runs he gave up.

Lawless, who was pressed into starting because of Terry Pendleton's injury, said that crowds in Houston's Astrodome are smaller and less enthusiastic, and that the noise escapes through the roof in Montreal. The white ceiling with its circular holes was also an obstacle, and Tommy Herr, the second baseman, said the artificial turf was a different texture from the Busch Stadium turf in St. Louis.

But the main difference was the jet-plane noise. Maybe Keillor was making it all up about stolid Minnesotans. Is it another field that it snows a bit up here?

Replacements Get Lesson From Returning Strikers

Compiled by Our Staff From Dispatches

NEW YORK — The strike replacements learned a lesson Sunday. There's a big difference between real National Football League players and their stand-ins. Joe Montana and Steve Largent, plus such backup quarterbacks as Gary Danielson, Jeff Kemp, Pat

week, led the Patriots past Houston by going 15-of-25 for 199 yards and a touchdown and by scrambling six times for 43 yards. And the Jets' Ryan was 30-of-49 for 301 yards and four touchdowns, including the game-winner in overtime.

Atlanta's Kramer, a rookie from North Carolina State, wasn't the only replacement player to get a thrill from what may be his last NFL game.

John Chirico, a reserve fullback on the Jet replacement squad, was part of a winner for the first time in his last 36 games.

Chirico played college ball at Columbia, which lost 33 in a row during his time there, and the Jets' replacements were 0-2 before Sunday's victory.

There was no rush back by the fans. Sunday's average attendance was about 26,500 — 38 percent of capacity.

For the most part, replacement players were realistic about their bit-part roles. Quarterback Steve Bono hoped Pittsburgh win, but his mood was anything but victorious.

"Everybody in this locker room is happy we won, but everybody's a little apprehensive about what's going to happen," Bono said after throwing two TD passes to lead the Steelers past Indianapolis.

"It's a little subdued in here and I guess it is all around the league," Bono, a replacement player, probably became expendable when the regulars ended their strike last week and made plans to return to work on Monday.

"Nobody really knows what their future holds," he said. "I'd like to start next Sunday (against Cincinnati), but I don't even know if I'll be on the roster."

Some replacement players held out hope of hanging on in the NFL when the league decided to expand rosters to 85 players from the usual limit of 45.

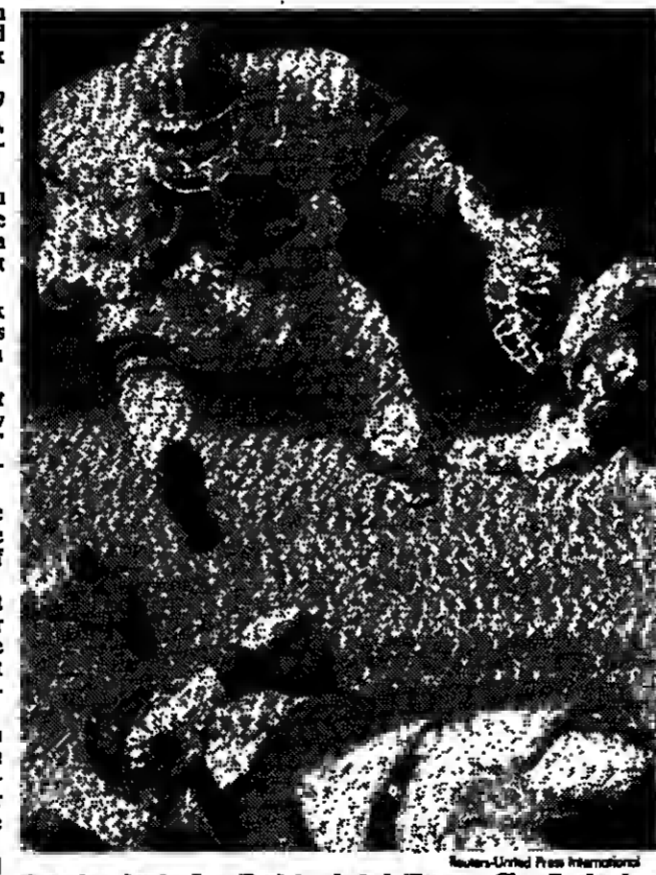
The expansion in part is designed to protect teams from a sudden walkout by the regulars next Sunday.

But most weren't expecting much. Detroit linebacker Tim Ross said he'll return to his job as an emergency medical technician with the Toledo, Ohio, fire department. He was on vacation when the strike began and managed to juggle more time off when the it continued.

"I've enjoyed it," he said of his tenure with the Lions. "But I know I had something to do at home, too," he said.

"I'd like to take all these guys home with me," said San Diego Coach Al Saunders of his replacement players after a 23-17 victory over the Los Angeles Raiders. And next week?

"We will play with the best 45 players available to us," Saunders said. (AP, UPI)



Running back Joe Duke eluded Kansas City linebacker Winford Hood (92) to gain six yards in Denver's 26-17 victory.

SPORTS BRIEFS

WENTWORTH, England (UPI) — Welshman Ian Woosnam defeated Sandy Lyle of Scotland to win the world match-play golf tournament on the last green of Monday's 36-hole final. The tournament was delayed a day by the hurricane that hit southern England on Friday.

Woosnam, who had beaten American Sam Randolph, Nick Faldo of England and Spaniard Severiano Ballesteros in the competition, won with a six-foot (1.82-meter) par putt. In the playoff for third place Ballesteros, four down with six to play, squared the match with four birdies before downing South African Mark McNulty on the second extra hole.

Mansell Winner of Mexican Grand Prix
MEXICO CITY (UPI) — Briton Nigel Mansell won Sunday's Mexican Grand Prix, beating Nelson Piquet of Brazil by 26 seconds. With a time of 1:26:24.21, Mansell won his sixth race of the Formula One season; in second place with 61 points, he is eight behind Piquet, his Williams-Honda teammate. Two races remain — in Japan Nov. 1 and Australia Nov. 15.

Mansell battled Piquet through the second half of the race, slipping to second briefly on the 48th lap. Piquet had rallied after the first lap, when he brushed Alain Prost and knocked the Frenchman out of the race.

Italian Riccardo Patrese was third in a Brabham, while American Eddy Cheever finished fourth in an Arrows.

Notable
Sugar Ray Leonard, saying that as a manager he will spar with his fighters. "There's nothing like a stiff punch to make you listen." (AP)

Foxxer New York Ranger Rod Gilbert, on whether hockey fights are faked: "If they were, you would have seen me in more of them." (LAT)

SCOREBOARD

Baseball

World Series
ST. LOUIS vs MINNESOTA
Game 2
Cameron 11 4 1 3 0
Smith 2b 4 0 1 0 0
Herr 2b 4 0 1 0 0
Driessen 1b 4 1 1 0 0
McGee cf 4 0 1 0 0
Pfeiffer pf 4 0 1 0 0
Ford f 3 1 2 0 0
Quisenberry 3b 4 0 1 0 0
Pena c 4 0 1 0 0

Football

Selected U.S. College Conference Standings
BIG TEN
MICHIGAN 10-0
MICHIGAN STATE 9-1
MICHIGAN STATE 8-2
MICHIGAN STATE 7-3

NFL Standings

NFL Standings
AMERICAN CONFERENCE
East
New England 10-0
H.Y. Jets 9-1
Buffalo 8-2
Indianapolis 7-3
Atlanta 6-4

Hockey

NHL Standings
WALEN CONFERENCE
Pittsburgh 10-0
Philadelphia 9-1
New York Rangers 8-2
New York Islanders 7-3
Boston 6-4

Transition

BASEBALL
AMERICAN LEAGUE
Baltimore Orioles
Boston Red Sox
California Angels

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